United States of America—Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission held at its office in the City of Washington, D. C., on the 13th day of August A. D. 1936.

[Filed on July 3, 1936]

IN THE MATTER OF AN OFFERING SHEET OF A WORKING INTEREST IN THE BEAUDOIN-BRIDGES FARM, BY CLAUDE E. DELAPP, DOING BUSINESS AS NATIONAL INVESTMENT CO., RESPONDENT

ORDER TERMINATING PROCEEDING (UNDER RULE 340) THROUGH AMENDMENT

The Securities and Exchange Commission finding that the amendments to the offering sheet which is the subject of this proceeding filed with the said Commission are so far as necessary in accordance with the suspension order previously entered in this proceeding:

It is ordered, that the amendment dated July 31, 1936, and received at the office of the Commission on August 3, 1936, to Division II of the said offering sheet be effective as of August 3, 1936; and

It is further ordered, that the Suspension Order, Order for Hearing and Order Designating a Trial Examiner entered in this proceeding on July 10, 1936, be and the same hereby are revoked and the said proceeding terminated.

By the Commission.

[SEAL] FRANCIS P. BRASSOR, *Secretary.*

[F. R. Doc. 1740—Filed, August 14, 1936; 12:43 p. m.]

United States of America—Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission held at its office in the City of Washington, D. C., on the 13th day of August A. D. 1936.

[Filed on July 7, 1936]

IN THE MATTER OF AN OFFERING SHEET OF A ROYALTY INTEREST IN THE MOORE-MCKOY LEASE, BY E. FRIEDMAN, DOING BUSINESS AS THE ROLES COMPANY, RESPONDENT

ORDER TERMINATING PROCEEDING (UNDER RULE 340) THROUGH AMENDMENT

The Securities and Exchange Commission finding that the amendments to the offering sheet which is the subject of this proceeding filed with the said Commission are so far as necessary in accordance with the suspension order previously entered in this proceeding:

It is ordered, that the amendment dated August 10, 1936, and received at the office of the Commission on August 11, 1936, to Division III of the said offering sheet be effective as of August 11, 1936; and

It is further ordered, that the Suspension Order, Order for Hearing, and Order Designating a trial examiner entered in this proceeding on July 14, 1936, be, and the same hereby are revoked and the said proceeding terminated.

By the Commission.

[SEAL] FRANCIS P. BRASSOR, *Secretary.*

[F. R. Doc. 1741—Filed, August 14, 1936; 12:43 p. m.]

United States of America—Before the Securities and Exchange Commission

At a regular session of the Securities and Exchange Commission held at its office in the City of Washington, D. C., on the 13th day of August A. D. 1936.

[Filed on July 23, 1936]

IN THE MATTER OF AN OFFERING SHEET OF A ROYALTY INTEREST IN THE BURRIS B FARM, BY H. B. SEARS, RESPONDENT

ORDER TERMINATING PROCEEDING (UNDER RULE 340) THROUGH AMENDMENT

The Securities and Exchange Commission finding that the amendments to the offering sheet which is the subject of this proceeding filed with the said Commission are so far as necessary in accordance with the suspension order previously entered in this proceeding:

It is ordered, that the amendment dated August 8, 1936, and received at the office of the Commission on August 11, 1936, to Division II of the said offering sheet be effective as of August 11, 1936; and

It is further ordered, that the Suspension Order, Order for Hearing, and Order Designating a Trial Examiner entered in this proceeding on August 3, 1936, be and the same hereby are revoked and the said proceeding terminated.

By the Commission.

[SEAL] FRANCIS P. BRASSOR, *Secretary.*

[F.R. Doc. 1739—Filed, August 14, 1936; 12:43 p. m.]

Tuesday, August 18, 1936 *No. 112*

DEPARTMENT OF THE INTERIOR.

Division of Grazing.

NEW MEXICO GRAZING DISTRICTS NOS. 4 AND 5

MODIFICATION

AUGUST 7, 1936.

Under and pursuant to the provisions of the act of June 28, 1934 (48 Stat. 1269), and subject to the limitations and conditions therein contained, New Mexico Grazing District No. 5 as established by order approved April 8, 1935, is hereby modified to include also within its exterior boundaries the following described lands, which are hereby transferred from New Mexico Grazing District No. 4:

NEW MEXICO MERIDIAN

T. 19 S., R. 9 E., secs. 23, 24, 25, 26, 35, and 36, and those parts of secs. 22, 27, and 34, east of Southern Pacific Railroad.
T. 19 S., R. 10 E., S½ sec. 10, sec. 11, W½ sec. 12, secs. 13 to 15, and secs. 19 to 36, inclusive.

HAROLD L. ICKES,
Secretary of the Interior.

[F. R. Doc. 1746—Filed, August 15, 1936; 9:45 a. m.]

DEPARTMENT OF AGRICULTURE.

Agricultural Adjustment Administration.

[Docket No. A-33—O-33]

NOTICE OF HEARING WITH RESPECT TO A PROPOSED MARKETING AGREEMENT AND A PROPOSED ORDER REGULATING THE HANDLING OF MILK IN THE FORT WAYNE, INDIANA, MARKETING AREA

Whereas, under the Agricultural Adjustment Act, as amended, notice of hearing is required in connection with a proposed marketing agreement or a proposed order, and the General Regulations, Series A, No. 1, as amended, of the Agricultural Adjustment Administration, United States Department of Agriculture, provide for such notice; and

Whereas, the Secretary of Agriculture has reason to believe that the execution of a marketing agreement and the issuance of an order will tend to effectuate the declared policy of Title I of the Agricultural Adjustment Act, as

amended, with respect to the handling of milk in the Fort Wayne, Indiana, Marketing Area:

Now, therefore, pursuant to the said act and said general regulations, notice is hereby given of a hearing to be held on a proposed marketing agreement and a proposed order regulating the handling of milk in the Fort Wayne, Indiana, Marketing Area, in the assembly room, Allen County Court House, Fort Wayne, Indiana, on September 3, 1936, at 9:30 a. m.

This public hearing is for the purpose of receiving evidence as to the general economic conditions which may necessitate regulation in order to effectuate the declared policy of the act and as to the specific provisions which a marketing agreement and order should contain.

The proposed marketing agreement and the proposed order each embodies, in similar terms, a plan for the regulation of such handling of milk in the Fort Wayne, Indiana, Marketing Area as is in the current of interstate commerce, or which directly burdens, obstructs, or affects interstate commerce in such milk. Among other things, the proposed marketing agreement and order provide for: (a) selection of a market administrator; (b) classification of milk; (c) minimum prices; (d) payments to producers through the use of a market-wide equalization pool; (e) deductions from payments to producers for marketing services by market administrator; (f) reports of handlers; (g) expense of administration.

Copies of the proposed marketing agreement and proposed order may be inspected in or procured from the office of the Hearing Clerk, Room 4725, South Building, United States Department of Agriculture, Washington, D. C.

[SEAL] M. L. WILSON,
Acting Secretary of Agriculture.

Dated, August 17, 1936.

[F. R. Doc. 1752—Filed, August 17, 1936; 12:30 p. m.]

IR—AR-1 Issued August 14, 1936

1936 AGRICULTURAL CONSERVATION PROGRAM—INSULAR REGION

ADMINISTRATIVE RULING NO. 1

Pursuant to authority vested in the Secretary of Agriculture under Section 8 of the Soil Conservation and Domestic Allotment Act, it is hereby determined with respect to the 1936 Agricultural Conservation Program, Insular Region, that calculations involving land area in Puerto Rico shall be made on the basis that one cuerda equals 0.97 acre.

In testimony whereof, H. A. Wallace, Secretary of Agriculture, has hereunto set his hand and caused the official seal of the Department of Agriculture to be affixed in the city of Washington, District of Columbia, this 14th day of August 1936.

[SEAL] H. A. WALLACE,
Secretary of Agriculture.

[F. R. Doc. 1749—Filed, August 15, 1936; 12:05 p. m.]

Bureau of Agricultural Economics.

PUBLIC NOTICE ESTABLISHING OFFICIAL COTTON STANDARDS OF THE UNITED STATES FOR THE GRADE OF AMERICAN UPLAND COTTON

[Effective, August 20, 1936]

Pursuant to the authority vested in the Secretary of Agriculture by the United States Cotton Futures Act of August 11, 1916, as amended March 4, 1919 (U. S. C., title 26, sec. 731–752); May 31, 1920 (41 Stat. 725); and February 26, 1927 (U. S. C., supp. IV, title 26, sec. 736); and by section 6 of the United States Cotton Standards Act of March 4, 1923 (U. S. C., title 7, sec. 51–65), I, H. A. Wallace, Secretary of Agriculture, do hereby establish, promulgate, and give public notice of standards for grades of American upland cotton, as hereinafter set forth, effective August 20, 1936: *Provided*, that trading in futures contracts based upon standards now in effect may continue to the end of the last month which may be traded in at the time of this order, subject to settlement by the delivery of cotton according to such standards.

Since these standards have been agreed upon and accepted by the leading European cotton associations and exchanges, they may also be termed and referred to as universal standards for American cotton.

For the purposes of these standards:

WHITE COTTON

No. 1 (or Middling Fair).—No. 1 or Middling Fair shall be American upland cotton which in color, leaf, and preparation is better than No. 2 or Strict Good Middling.

No. 2 (or Strict Good Middling).—No. 2 or Strict Good Middling shall be American upland cotton which in color, leaf, and preparation is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 2 or Strict Good Middling, effective August 20, 1936."

No. 3 (or Good Middling).—No. 3 or Good Middling shall be American upland cotton which in color, leaf, and preparation is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 3, or Good Middling, effective August 20, 1936."

No. 4 (or Strict Middling).—No. 4 or Strict Middling shall be American upland cotton which in color, leaf, and preparation is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 4 or Strict Middling, effective August 20, 1936."

No. 5 (or Middling).—No. 5 or Middling shall be American upland cotton which in color, leaf, and preparation is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 5 or Middling, effective August 20, 1936."

No. 6 (or Strict Low Middling).—No. 6 or Strict Low Middling shall be American upland cotton which in color, leaf, and preparation is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 6 or Strict Low Middling, effective August 20, 1936."

No. 7 (or Low Middling).—No. 7 or Low Middling shall be American upland cotton which in color, leaf, and preparation is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 7 or Low Middling, effective August 20, 1936."

No. 8 (or Strict Good Ordinary).—No. 8 or Strict Good Ordinary shall be American upland cotton which in color, leaf, and preparation is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 8 or Strict Good Ordinary, effective August 20, 1936."

No. 9 (or Good Ordinary).—No. 9 or Good Ordinary shall be American upland cotton which in color, leaf, and preparation is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 9 or Good Ordinary, effective August 20, 1936."

EXTRA WHITE COTTON

No. 3 Extra White (or Good Middling Extra White).—No. 3 Extra White or Good Middling Extra White shall be

American upland cotton which in leaf and preparation is No. 3 or Good Middling, but which is whiter than No. 3 or Good Middling.

No. 4 Extra White (or Strict Middling Extra White).—No. 4 Extra White or Strict Middling Extra White shall be American upland cotton which in leaf and preparation is No. 4 or Strict Middling, but which is whiter than No. 4 or Strict Middling.

No. 5 Extra White (or Middling Extra White).—No. 5 Extra White or Middling Extra White shall be American upland cotton which in leaf and preparation is No. 5 or Middling, but which is whiter than No. 5 or Middling.

No. 6 Extra White (or Strict Low Middling Extra White).—No. 6 Extra White or Strict Low Middling Extra White shall American upland cotton which in leaf and preparation is No. 6 or Strict Low Middling, but which is whiter than No. 6 or Strict Low Middling.

No. 7 Extra White (or Low Middling Extra White).—No. 7 Extra White or Low Middling Extra White shall be American upland cotton which in leaf and preparation is No. 7 or Low Middling, but which is whiter than No. 7 or Low Middling.

No. 8 Extra White (or Strict Good Ordinary Extra White).—No. 8 Extra White or Strict Good Ordinary Extra White shall be American upland cotton which in leaf and preparation is No. 8 or Strict Good Ordinary, but which is whiter than No. 8 or Strict Good Ordinary.

No. 9 Extra White (or Good Ordinary Extra White).—No. 9 Extra White or Good Ordinary Extra White shall be American upland cotton which in leaf and preparation is No. 9 or Good Ordinary, but which is whiter than No. 9 or Good Ordinary.

TINGED COTTON

No. 3 Tinged (or Good Middling Tinged).—No. 3 Tinged or Good Middling Tinged shall be American upland cotton which in leaf and preparation is No. 3 or Good Middling, but which in color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 3 Tinged or Good Middling Tinged, effective August 20, 1936."

No. 4 Tinged (or Strict Middling Tinged).—No. 4 Tinged or Strict Middling Tinged shall be American upland cotton which in leaf and preparation is No. 4 or Strict Middling, but which in color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 4 Tinged or Strict Middling Tinged, effective August 20, 1936."

No. 5 Tinged (or Middling Tinged).—No. 5 Tinged or Middling Tinged shall be American upland cotton which in leaf and preparation is No. 5 or Middling, but which in color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 5 Tinged or Middling Tinged, effective August 20, 1936."

No. 6 Tinged (or Strict Low Middling Tinged).—No. 6 Tinged or Strict Low Middling Tinged shall be American upland cotton which in leaf and preparation is No. 6 or Strict Low Middling, but which in color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 6 Tinged or Strict Low Middling Tinged, effective August 20, 1936."

No. 7 Tinged (or Low Middling Tinged).—No. 7 Tinged or Low Middling Tinged shall be American upland cotton which in leaf and preparation is No. 7 or Low Middling, but which in color is within the range represented by a set of samples in the custody of the United States Department of Agriculture in the District of Columbia in a container marked "Original Official Cotton Standards of the United States, American Upland, No. 7 Tinged or Low Middling Tinged, effective August 20, 1936."

SPOTTED COTTON

No. 3 Spotted (or Good Middling Spotted).—No. 3 Spotted or Good Middling Spotted shall be American upland cotton which in leaf and preparation is No. 3 or Good Middling, but which in color is between No. 3 or Good Middling and No. 3 Tinged or Good Middling Tinged.

No. 4 Spotted (or Strict Middling Spotted).—No. 4 Spotted or Strict Middling Spotted shall be American upland cotton which in leaf and preparation is No. 4 or Strict Middling, but which in color is between No. 4 or Strict Middling and No. 4 Tinged or Strict Middling Tinged.

No. 5 Spotted (or Middling Spotted).—No. 5 Spotted or Middling Spotted shall be American upland cotton which in leaf and preparation is No. 5 or Middling, but which in color is between No. 5 or Middling and No. 5 Tinged or Middling Tinged.

No. 6 Spotted (or Strict Low Middling Spotted).—No. 6 Spotted or Strict Low Middling Spotted shall be American upland cotton which in leaf and preparation is No. 6 or Strict Low Middling, but which in color is between No. 6 or Strict Low Middling and No. 6 Tinged or Strict Low Middling Tinged.

No. 7 Spotted (or Low Middling Spotted).—No. 7 spotted or Low Middling Spotted shall be American upland cotton which in leaf and preparation is No. 7 or Low Middling, but which in color is between No. 7 or Low Middling and No. 7 Tinged or Low Middling Tinged.

YELLOW STAINED COTTON

No. 3 Yellow Stained (or Good Middling Yellow Stained).—No. 3 Yellow Stained or Good Middling Yellow Stained shall be American upland cotton which in leaf and preparation is No. 3 or Good Middling, but which in color is deeper than No. 3 Tinged or Good Middling Tinged.

No. 4 Yellow Stained (or Strict Middling Yellow Stained).—No. 4 Yellow Stained or Strict Middling Yellow Stained shall be American upland cotton which in leaf and preparation is No. 4 or Strict Middling, but which in color is deeper than No. 4 Tinged or Strict Middling Tinged.

No. 5 Yellow Stained (or Middling Yellow Stained).—No. 5 Yellow Stained or Middling Yellow Stained shall be American upland cotton which in leaf and preparation is No. 5 or Middling, but which in color is deeper than No. 5 Tinged or Middling Tinged.

GRAY COTTON

No. 3 Gray (or Good Middling Gray).—No. 3 Gray or Good Middling Gray shall be American upland cotton which in leaf and preparation is No. 3 or Good Middling, but which is more gray in color than No. 3 or Good Middling and no darker in color than the dullest bale in No. 6 or Strict Low Middling.

No. 4 Gray (or Strict Middling Gray).—No. 4 Gray or Strict Middling Gray shall be American upland cotton which in leaf and preparation is No. 4 or Strict Middling, but which is more gray in color than No. 4 or Strict Middling and no darker in color than the dullest bale in No. 7 or Low Middling.

No. 5 Gray (or Middling Gray).—No. 5 Gray or Middling Gray shall be American upland cotton which in leaf and preparation is No. 5 or Middling, but which is more gray in color than No. 5 or Middling and no darker in color than the dullest bale in No. 8 or Strict Good Ordinary.

GENERAL

American upland cotton which in color, leaf, and preparation is within the range of the standards established by this notice, but which contains a combination of color, leaf, and preparation not within any one of the definitions herein set out, shall be designated according to the definition which is equivalent to, or if there be no exact equivalent is next below, the average of all the factors that determine the grade of the cotton: *Provided*, That in no event shall the grade assigned to any cotton or sample be more than one

grade higher than the grade classification of the color or leaf contained therein.

Effective as specified in the first paragraph hereof, this notice shall supersede the public notice of July 30, 1923, establishing official cotton standards of the United States for grades and colors of American upland cotton and the public notice of the Secretary of Agriculture dated August 10, 1932, establishing official cotton standards of the United States for Extra White cotton.

In testimony whereof I have hereunto set my hand and caused the official seal of the Department of Agriculture to be affixed, in the City of Washington, this 20th day of August 1935.

[SEAL] H. A. WALLACE,
Secretary of Agriculture.

[F. R. Doc, 1147—Filed, July 8, 1936; 12:12 p. m.]

Bureau of Entomology and Plant Quarantine.

[Notice of Quarantine No. 60 (Revised)]

HAWAIIAN AND PUERTO RICAN QUARANTINE COVERING SAND, SOIL, OR EARTH, WITH PLANTS

INTRODUCTORY NOTE

Notice of Quarantine No. 60 originally prohibited the movement of plants in soil from the Territories of Hawaii and Puerto Rico to the mainland. Information accumulated since this quarantine was first promulgated indicates that, under satisfactory safeguards, plants in soil originating in the Territories of Hawaii and Puerto Rico may be carried by, and may remain on, vessels for ornamental purposes while such vessels are in mainland waters, without risk of spreading the pests named in the quarantine. The present revision of Notice of Quarantine No. 60 makes provision for retention of potted plants on board vessels from Hawaii and Puerto Rico when evidence is presented satisfactory to the plant quarantine inspector that the soil about the plants has been so sterilized or otherwise treated that pest risk is eliminated, that it is of such nature that there is no pest risk, or that the safeguards erected around such soil are adequate to preclude pest escape.

LEE A. STRONG,
Chief, Bureau of Entomology and Plant Quarantine.

Whereas the Secretary of Agriculture, after holding the required public hearing, did issue Notice of Quarantine No. 60, on February 19, 1926, in order to prevent the spread of certain injurious insects named therein, and did declare therein, under the authority of the Plant Quarantine Act of August 20, 1912 (37 Stat. 315) as amended, that sand (other than clean ocean sand), soil, or earth around the roots of plants, should not be shipped, offered for shipment to a common carrier, received for transportation or transported by a common carrier, or carried, transported, moved, or allowed to be moved from the Territories of Puerto Rico and Hawaii, into or through any other State or Territory or District of the United States;

And whereas it is now believed that plants in sand, soil, or earth originating in Hawaii or Puerto Rico, which are carried for ornamental purposes on vessels entering the territorial waters of continental United States, may be allowed to remain on board, under certain conditions and safeguards, without risk of spreading the pests named in the said Notice of Quarantine No. 60, and that it should be revised accordingly;

Now, therefore, I, M. L. Wilson, Acting Secretary of Agriculture, under authority of said Plant Quarantine Act of August 20, 1912, the required public hearing having been duly given, and having determined that it is necessary to quarantine the Territories of Hawaii and Puerto Rico to prevent the spread, by means of sand, soil, or earth about the roots of plants, of immature stages of certain injurious insects, including *Phyllophaga* spp. (white grubs), *Phytalus* sp., *Adoretus* sp., and of several species of termites or white ants, new to and not heretofore widely prevalent or distributed within and throughout the United States, do quarantine the said Territories of Hawaii and Puerto Rico, effective on and after September 1, 1936. Thereafter, pursuant to the provisions of the said act of August 20, 1912, sand (other than clean ocean sand), soil, or earth around the roots of plants, shall not be shipped, offered for shipment to a common carrier, received for transportation or transported by a common carrier, carried, transported, moved, or allowed to be moved from the Territories of Hawaii and Puerto Rico into or through any other State, Territory, or District of the United States: *Provided*, That this prohibition shall not apply to sand, soil, or earth around the roots of plants which are carried, for ornamental purposes, on vessels into mainland ports of the United States and which are not intended to be landed thereat, when evidence is presented satisfactory to the inspector of the Bureau of Entomology and Plant Quarantine of the Department of Agriculture (*a*) that such sand, soil, or earth has been so processed or is of such nature that no pest risk is involved, or (*b*) that the plants with sand, soil, or earth around them are maintained on board under such safeguards as will preclude pest escape.

The prohibition of this quarantine shall not apply to the movement of sand, soil, or earth around the roots of plants moved from the Territories of Hawaii and Puerto Rico for experimental or scientific purposes by the United States Department of Agriculture.

Effective September 1, 1936, this notice of quarantine revises and supersedes Notice of Quarantine No. 60, approved February 19, 1926, which became effective March 1, 1926.

Done at the city of Washington this 14th day of August 1936.

Witness my hand and the seal of the United States Department of Agriculture.

[SEAL] M. L. WILSON,
Acting Secretary of Agriculture.

[F.R. Doc. 1737—Filed, August 14, 1936; 12:35 p. m.]

DEPARTMENT OF COMMERCE.

Bureau of Fisheries.

No. 251-22-8

ALASKA FISHERY REGULATIONS

AUGUST 15, 1936.

By virtue of the authority contained in the act of June 26, 1906 (34 Stat. 478, 480), as amended by the act of June 6, 1924 (43 Stat. 464), as amended by the act of June 18, 1926 (44 Stat. 752), as amended by the act of April 16, 1934 (48 Stat. 594), the regulations for the protection of the fisheries of Alaska published in Department of Commerce Circular No. 251, twenty-second edition, issued under date of February 8, 1936, are hereby amended by the following regulations:

SOUTHEASTERN ALASKA AREA

WESTERN DISTRICT

Salmon fishery.—Regulation No. 7 is amended so as to permit commercial fishing for salmon from a true line eastward from the southeastern extremity of Point Couverden south to 58 degrees north latitude until 6 o'clock postmeridian August 17.

EASTERN DISTRICT

Salmon fishery.—Regulation No. 8 is amended so as to permit commercial fishing for salmon south of 57 degrees north latitude until 6 o'clock postmeridian August 17.

[SEAL] SOUTH TRIMBLE, Jr.,
Acting Secretary of Commerce.

[F. R. Doc. 1751—Filed, August 17, 1936; 11:02 a. m.]

FEDERAL HOUSING ADMINISTRATION.

THE MODERNIZATION CREDIT PLAN

REGULATIONS FOR THE GUIDANCE OF ALL INSURED INSTITUTIONS OPERATING UNDER THE PROVISIONS OF TITLE I OF THE NATIONAL HOUSING ACT, AS EXTENDED [1]

[These Regulations supersede all previous Title I Regulations [2]]

REGULATION No. 1

[Applicable to all Section 2 loans]

Promissory notes must be signed by an owner of the real property to be improved, or by a lessee thereof under a lease expiring not less than six months after the maturity of the loan, and must be in form generally considered to be valid and enforceable in the jurisdiction in which they are issued. In addition to owners in fee, owners of real property include life tenants and persons holding an equity under a mortgage, trust, or contract.

(See Special Regulation No. 1 governing loans under Section 6.)

Question No. 1a.—Reference is made to installment notes and installment payments throughout the Regulations, Questions and Answers and interpretations pertaining thereto. Is it intended that insured institutions using any other form of obligation or a plan whereby deposits are made to an account or a fund which is used to liquidate a note at maturity (similar to the practice followed by industrial banks in many jurisdictions) be allowed to continue to use such methods of procedure, and will such obligations be eligible for insurance?

Answer.—Yes. Whenever the word "note" is used, it is intended to refer to a note, bond, mortgage, or other evidence of indebtedness. Whenever the word "payment" is used, the intent is to include a deposit for an account or a fund. Notes which provide for a deposit to be made in an account or a fund to be used to liquidate a note at maturity are eligible for insurance, and for the purpose of these Regulations any interest paid on such deposit account should be deducted from the charge paid by the borrower on the notes in determining whether the net charge to him is within the maximum permitted.

The term "installment payment" includes a method of procedure under which a borrower from an institution such as a building and loan association subscribes for shares on receiving a loan, and pays for such shares on an installment basis, the shares to be finally cancelled out against the loan. Where this method is used and the shares do not pay a fixed return, the charge to the borrower may be figured on the basis of the average return on such shares during the preceding three years.

In order that an insured institution may be entitled to make claim under the Contract of Insurance for the full unpaid balance on a note on which one or more payments are in default, it is necessary that the institution have made demand upon the borrower for payment in full. Notes must, therefore, contain a provision for acceleration of maturity upon default, either automatically, or at the option of the holder.

Question No. 1b.—Will notes in a series be eligible for insurance on the same basis as a single serial note calling for equal monthly installments?

Answer.—Yes. A series of notes, taken on one transaction, each calling for an equivalent monthly payment, will be eligible for insurance where each note states on its face that it is one of a series of notes signed by the same maker. Unless the note shows on its face that it is one of a series, it will not be eligible for insurance.

Question No. 1c.—Is a forged note "valid and enforceable" within the meaning of the term as used in this Regulation?

Answer.—Yes. Regulation No. 1 provides that promissory notes must be in form generally considered to be valid and enforceable in the jurisdiction in which they are issued. This refers only to the form of the note and not to the authenticity of the note as executed. If an insured institution uses a form of note which it knows to be valid and enforceable, or one which is generally considered to be valid and enforceable, the insured institution may make advances on such form of note.

The fact that a note is forged will not disqualify it if taken by the insured institution in good faith. Forgery of one of these notes or falsification of the Credit Statement constitutes a Federal offense under the National Housing Act, subjecting the offender to a fine of not more than $5,000 or to imprisonment for not more than two years, or both. This does not remove from an insured institution the duty of discovering the authority of an agent, as such, signing a note, or the legal capacity of the signer of the note to borrow.

Question No. 1d.—What about the effect of interest rate statutes?

Answer.—In most jurisdictions, violations of interest rate statutes do not affect the validity or enforceability of notes; and any such violation, if upheld in an action at law, would not disqualify a note previously reported for insurance. In a few jurisdictions, a technical legal doctrine prevails, under which a financial institution does not recover upon the note itself if the note is in violation of interest laws, but rather proceeds upon the theory that it is collecting upon a general obligation to repay money advanced. Where such a doctrine as this prevails, the note likewise is not considered invalid or unenforceable.

(See Special Question and Answer No. 1e governing loans under Section 6.)

REGULATION No. 2

[Applicable only to loans of $2,000 or less]

An advance of credit, to be eligible for insurance, must not involve a principal amount in excess of $2,000 (exclusive of financing charges to the borrower) unless made for the purposes set forth in Regulation No. 24.

Question No. 2a.—In what cases does the $2,000 maximum limitation apply?

Answer.—Loans up to $2,000 on all types of properties are eligible for insurance, if they comply with the regulations. Loans above $2,000 may be made only for the purpose of alterations, repairs, and additions upon real property already improved by Class A properties, viz., apartment or multiple-family houses, hotels, office, business or other commercial buildings, hospitals, orphanages, churches, colleges, schools, or manufacturing or industrial plants, or improved by some other type of structure which is to be converted into one of the foregoing types of property; and for the purchase and installation of equipment and machinery on such Class A property. Loans for alterations, repairs, and additions upon improved Class B properties may not exceed $2,000. No variation from this limitation is permissible, since the amendment to Title I of the National Housing Act explicitly defines the types of buildings in connection with which loans in excess of $2,000 may be insured. This is not a matter of discretion with the Administrator.

Question No. 2b.—May more than one note or one series of notes be executed to cover repairs, alterations, and additions upon a single piece of property?

Answer.—Yes. Any number of notes may be executed to cover repairs, alterations, and additions upon any number of pieces of property, but not more than $2,000 may be expended on any single piece of property, unless the property is a Class A property. However, when the net proceeds to the borrower are $2,000 or a lesser amount which, plus the charge to him for financing, would exceed $2,000, it is not necessary to take a separate note for the financing charge. Regulation No. 2 is directed to the net proceeds received by the borrower and not to the face amount of the obligation.

Question No. 2c.—Where a loan reported for insurance in connection with Class B property has been paid off in whole or in part, will another loan to be expended on the same property be eligible for insurance?

[1] 48 Stat. 1246; Public Laws Nos. 76, 486, and 525 of the 74th Congress.

[2] Information relative to Titles II and III of the National Housing Act may be obtained from the Federal Housing Administration.

Answer.—Yes. Under Regulation No. 2 an additional loan may be made if the new loan, plus the aggregate unpaid balance on the loan previously reported for insurance in connection with the property in question, does not exceed $2,000.

REGULATION No. 3

[Applicable to all loans]

A note will be eligible for insurance if the total payment to be made by the borrower for interest, discount, and fees of all kinds in connection with the transaction is not in excess of an amount equivalent to $5 discount per $100 original face amount of a one-year note to be paid in equal monthly installments, calculated from the date of the note. This charge is a permitted maximum and not a mandatory rate, and a loan at any lower rate is eligible for insurance and such charge correctly based on tables of calculations issued by the Federal Housing Administrator is deemed to comply with this Regulation.

Question No. 3a.—Where an insured institution purchases or takes a qualified note but retains part of the purchase price or proceeds of the note as security for payment of it by the borrower, may the institution retain the total finance charge calculated on the face amount of the note?

Answer.—No. If the insured institution takes the maximum charge permitted by Regulation No. 3, but does not advance the entire proceeds of the note, this will increase the ratio of gross return to the institution on the average balance of the insured institution's funds outstanding during the period of the loan, and, therefore, if an insured institution retains a hold-back it must consider this in calculating the finance charges which it collects. The difference between the finance charges calculated on the face amount of the note and the finance charges calculated on the amount advanced by the insured institution must be credited to the account of the dealer or contractor from whom the note was purchased. See also Question and Answer No. 14h.

Question No. 3b.—Does Regulation No. 3 mean that an insured institution may charge the borrower $5 per $100 face amount of the note for each year the loan is outstanding?

Answer.—No. It means that for a job costing $95, a one-year installment note could have a face amount of $100 and the total charge to the borrower could not exceed $5, the borrower to make monthly installment payments of $8.34 (with adjustment on last payment). This charge on a one-year note, non-interest-bearing and payable in monthly installments, establishes the basis of charge which may not be exceeded on notes with other maturities. This is a ratio of 0.097166 between the total charge and average amount outstanding on the debt. This is fully explained in the Tables of Calculations as follows:

TABLES OF CALCULATIONS

An insured institution may use any method it desires to calculate the maximum charge permitted on the amount advanced to the borrower for the actual period of the loan. However, the following factors may be used to facilitate handling of notes under the Modernization Credit Plan. In the center column are figures from 6 to 60 for each possible monthly maturity that may be used for such a note. In the right hand column are Discount Factors. The face amount of a discount note, multiplied by the Discount Factor for any maturity desired, will give the maximum permissible amount of discount that may be charged the borrower. In the left hand column are Gross Charge Factors. The amount of cash proceeds desired (the principal sum the borrower wants), multiplied by the Gross Charge Factor for any maturity, will give the maximum permissible amount of interest and fees that may be charged.

OPERATION OF THE DISCOUNT FACTOR

A discount of $5 on a $100 note for a period of one year, with provision in the note for monthly installment payments, gives a ratio of 0.097166 of total charge paid by borrower to average amount outstanding on the debt during the period of the loan. This is the maximum charge under the Regulations of the Administrator that may be obtained from the borrower on a note of any amount, of any maturity, and regardless of the number of installment payments. The same limit as to the ratio of 0.097166 of total charge paid by the borrower to average amount outstanding on the debt would apply to a farmer note providing for less than 12 installments a year, or to a note providing for more than 12 installments a year.

On a one-year note, of course, the Discount Factor is 0.05. On a 24-month note, however, the Discount Factor is 0.091912; 36-month note, 0.130282, etc. The Discount Factor for each maturity from 6 to 60 months is given in the table herewith. On a discount note of $1,000 face amount, the amount of discount for 12 months would be $50; for 24 months, $91.91; for 36 months, $130.28.

OPERATION OF THE GROSS CHARGE FACTOR

An insured institution, desiring to ascertain the maximum amount of interest and fees it would be permissible to charge the borrower on any principal sum in order not to exceed the ratio of 0.097166 of total charge to the borrower to average amount outstanding on the debt during the period of the loan, can do so by using the Gross Charge Factor. Thus on a one-year note the Gross Charge Factor is 0.052632; on a 24-month note, 0.101215; on a 36-month note, 0.149798. The Gross Charge Factor for each maturity from 6 to 60 months is given in the tables herewith. Thus by taking a $950 advance and multiplying by the proper Gross Charge Factor the amount of interest and fees allowed for 12 months will prove to be $50; for 24 months, $96.15; for 36 months, $142.31.

Gross Charge Factor (based on $1 of net proceeds)	*Number of monthly installment payments in which loan is to be repaid*	*Discount Factor (based on $1 of face amount)*
0.028340	6	0.027559
.032389	7	.031373
.036437	8	.035156
.040486	9	.038911
.044534	10	.042636
.048583	11	.046332
.052632	12	.050000
.056680	13	.053640
.060729	14	.057252
.064778	15	.060837
.068826	16	.064394
.072875	17	.067925
.076924	18	.071429
.080971	19	.074906
.085020	20	.078358
.089068	21	.081784
.093117	22	.085185
.097166	23	.088561
.101215	24	.091912
.105263	25	.095238
.109312	26	.098540
.113360	27	.101818
.117408	28	.105072
.121457	29	.108303
.125506	30	.111511
.129554	31	.114695
.133603	32	.117857
.137651	33	.120996
.141700	34	.124113
.145748	35	.127208
.149798	36	.130282
.153846	37	.133333
.157895	38	.136364
.161944	39	.139373
.165992	40	.142361
.170041	41	.145329
.174089	42	.148276
.178138	43	.151203
.182187	44	.154110
.186235	45	.156997
.190283	46	.159864
.194332	47	.162712
.198381	48	.165541
.202429	49	.168350
.206478	50	.171141
.210526	51	.173913
.214575	52	.176667
.218623	53	.179402
.222672	54	.182119
.226720	55	.184818
.230769	56	.187500
.234818	57	.190164
.238866	58	.192810
.242915	59	.195440
.246964	60	.198052

Tables are available for the use of savings, building and loan associations, cooperative banks, and similar institutions, covering loans with maturities up to 15 years, or 180 months, only the first five years of which will be covered by insurance. Copies of these tables may be obtained upon request from the Federal Housing Administration.

Tables are also available setting forth Discount and Gross Charge Factors based on discounts of $3, $3.50, $4, and $4.50 per $100 original face amount of a one-year note to be paid in equal monthly installments. These are provided so that institutions desiring to charge less than the maximum permitted rate will have no difficulty in calculating the finance charge to be taken. The rate set forth in Regulation No. 3 is purely a maximum rate, and it is urged by the Administrator that a lower rate be used whenever compatible with the circumstances surrounding the loan.

Question No. 3c.—If security, such as a mortgage, is taken, may the actual costs of title search, appraisal, etc., be charged the borrower in addition to the charge permitted?

Answer.—No. Any such costs as these must be included within the maximum permitted charge to the borrower.

Question No. 3d.—Where an insured institution requires that a dealer or manufacturer, from whom it purchases notes, present a credit report on the borrower at the dealer's or manufacturer's expense, will such a requirement be considered to increase the finance charge received by the insured institution?

Answer.—No. If the cost of the credit report on the borrower is not passed on to him, either directly or indirectly, the cost of such report need not be considered in calculating the finance charge taken.

Question No. 3e.—Although the standard formula for determining the charge to the borrower contemplates a monthly installment note, is it intended that the same resulting ratio shall apply in the case of a note on which there is only one payment (or any number more or less than 12) per year, as in the case of a farmer or a producer of livestock who is making payments in accordance with the dates on which his income is received?

Answer.—Yes. The same ratio of 0.097166 between total charge to the borrower and average amount outstanding on the debt applies as a maximum which must not be exceeded. It is suggested that an interest-bearing note, at the lowest rate compatible with the locality and credit conditions, should be used where a note calls for seasonal payments.

Question No. 3f.—May an insured institution make a charge on a basis other than that set forth in the Tables of Calculations?

Answer.—Yes. An insured institution may calculate its charges by any method it desires, provided that the total cost to the borrower does not exceed the maximum ratio permitted by Regulation No. 3. Thus, for instance, an institution may take a note which calls for the payment of 6% interest on the decreasing balances and also assess the borrower for a commission, or for recording or filing fees, etc. If the total charge to the borrower at the rate of interest stated in the note, plus the additional fees which the borrower is required to pay to any person, do not exceed the maximum ratio permitted by Regulation No. 3, a note will be eligible for insurance, provided that it otherwise complies with the Regulations.

Question No. 3g.—May an insured institution pay the proceeds of a note either in full or by installments to the contractor, supplier, or anyone else to whom it is directed by the borrower that payment be made?

Answer.—Yes. In fact, in many cases, this would be considered very good practice to make sure that the proceeds are being used for property modernization as agreed. Where the funds are to be disbursed in installments, the insured institution must consider the fact that the borrower does not obtain the use of the full sum represented by the note as of the date of the note, when calculating the finance charge to be made. However, if the full amount of the advance is deposited in a special account for the benefit of the borrower, the full appropriate discount may be taken.

Regulation No. 4

[Applicable to all loans]

Notes may provide for the payment by the maker of a late charge not to exceed five cents for each $1 of each payment more than 15 days in arrears, but not to exceed $5 in respect of any one such late payment. In lieu of, but not in addition to, the late charge, the note may provide for interest on overdue payments from the due date of the payment at a rate not to exceed the maximum legal rate permitted in the jurisdiction where the loan is made.

Question No. 4a.—May the late charge be collected more than once on any single installment?

Answer.—No. Where the late charge of five cents per $1 for each payment more than 15 days in arrears is contracted for, it may be assessed only once for any one particular payment, and the total late charge so assessed on any one particular payment may not exceed $5. However, if in lieu of a late charge the note calls for any rate of interest on a delinquent payment up to the highest legal rate in the jurisdiction where executed, such interest may be collected from the borrower on any such delinquent payment (but not upon the whole remaining principal unless the whole note is matured by such delinquency) from the date it came due and was not paid, until the date upon which it was paid.

Question No. 4b.—Is it necessary to provide for the late charge in a note, or may it be provided for by separate agreement or arrangement?

Answer.—It is not necessary to provide for the late charge in a note. It may or may not be provided for by separate arrangement or agreement. The late charge is not compulsory, but the insured institution is permitted to make the charge provided for in Regulation No. 4 if it so desires. In the few jurisdictions in which the inclusion of such a charge in a note might affect the validity of the note, it is suggested that the collection of such a charge be effected in any manner suitable to the insured institution, or be waived if the institution elects to do so. If no provision for late charges is contained in the note or in a collateral agreement, no claim for late charges may be made under the Contract of Insurance.

Question No. 4c.—Is it definitely understood that the amount collected in the form of late charges is not included in the maximum amount which a financial institution may charge the borrower for discount, interest, or fees?

Answer.—Yes. The late charge is reimbursement to the institution for work involved in the handling of payments not made on the due dates and therefore may be collected only in those cases in which delinquency occurred. The maximum permitted charge to the borrower refers only to the financing charge on a note that is paid in accordance with its terms.

Question No. 4d.—Will a provision in a note that interest on principal will be charged after the maturing of the entire balance of the loan by default or otherwise be construed to be in conflict with Regulation No. 4, if the note also provides for late charges or interest on individual late payments?

Answer.—No. Late charges are intended to provide for delinquency in the making of payments. It is not intended that the late charge shall take the place of interest on the principal after the maturity of the whole obligation. Thus, a provision for such interest will not conflict with the limitation set forth in Regulation No. 4, which refers only to interest or late charges taken on a specific installment for failure to make that payment on its due date.

Regulation No. 5

[Applicable to all loans]

Notes may not have a final maturity in excess of five years, except in the case of savings, building and loan associations, cooperative banks, and similar institutions, where the advances of credit of such institutions do not exceed $2,000.

Question No. 5a.—Within what period is it advisable to have a note mature?

Answer.—Preferably, notes should be liquidated within the life of the improvement or equipment for which credit is obtained. Insured institutions are given great latitude within

the limit set to determine the period which may be desirable and proper in connection with the loans they make or the notes they may purchase. On the other hand, the maturity of the notes should not be set within a period of time so short that the installment payments of the borrower are in excess of an amount which he is currently able to pay from income. The judgment of the insured institution in each particular case should determine the proper maturity for a particular loan.

Question No. 5b.—May the insurance granted in any case exceed a period of five years beyond the date of the original transaction?

Answer.—No. Even where a new note is taken to liquidate a previously insured obligation, as provided for in Regulation No. 19, the total insurance coverage granted shall not extend beyond five years from the date of the original note. Thus, if the original note had a maturity of five years and it became necessary to rewrite this note at the end of the fourth year on a smaller payment basis which would result in the new note having a maturity of three years, the insurance coverage on the new note would terminate at the expiration of one year from the date of the new note, or five years from the date of the original note.

Question No. 5c.—What is the effect of the exception in Regulation No. 5?

Answer.—Any institution may acquire a note with a term up to five years without applying for permission to the Administrator. In addition, the Administrator has made a special exception in the case of savings, building and loan associations, cooperative banks, and similar institutions, permitting them to acquire obligations eligible for insurance with a maturity longer than five years, for a period and at a rate of return not to exceed that of any standard existing plan of such institution, and provided that Regulation No. 3 is complied with.

This ruling has been issued to make it possible for those institutions, generally required by law to take mortgage security and further restricted in some cases as to the minimum term of years which may apply to their obligations, to make Modernization Loans conforming with the Regulations of the Administrator.

The Contract of Insurance shall apply to such long-term obligations only for a period of five years from the date the obligation is first executed, and any claim for loss must be made as the result of a default occurring at or within five years from the date of the obligation reported for insurance.

It is suggested that in all cases where a mortgage institution is already carrying an uninsured advance to a borrower who now wishes a further advance under the same mortgage on an obligation eligible for insurance under Title I, whether for a period up to five years or for a longer period under the special exception permitted in Regulation No. 5, the mortgage institution carry the insured loan in a separate account on its books, so that there will be no confusion in auditing the account in case a claim is made under the Contract of Insurance.

However, if a mortgage institution wishes to carry both the uninsured and insured advances under one mortgage and in one consolidated account, the Administrator will permit the practice but advises against it.

Of course, the insured loan must always be evidenced by a separate obligation.

Where the two transactions are carried in one account it will be assumed, for the purpose of computing the amount outstanding on the insured obligation in event of claim under the Contract of Insurance, that all payments received on the consolidated account subsequent to the date of the insured obligation were applied pro rata on both the insured and the uninsured obligations.

Where a separate mortgage has been taken on an insured obligation, the Administrator will require, in event of a claim under the Contract of Insurance, that this mortgage be assigned to the Administrator. If one mortgage covers both an insured and an uninsured obligation, the proceeds received through foreclosure in excess of all uninsured obligations made prior to the insured obligation and covered by the mortgage (but not exceeding the amount of the claim paid to the mortgage institution on the insured obligation by the Administrator) must be forwarded to the Administrator.

The Administrator imposes only one limitation under this special exception (this limitation does not apply where the loan in question is to be repaid within five years). The Administrator will not insure a portion of a greater advance made at the same time. This does not prohibit the insurance of a loan because of a previously existing debt covered by a mortgage, where the prior obligation was incurred in a bona fide independent transaction, and the Administrator will assume that, if the two transactions are six months apart, they are independent; furthermore, this limitation will not be applied in cases where the mortgage executed at the time of the Modernization Loan also covers a note taken to refund an existing mortgage debt on the same property held by the lending institution or by a third party. Also, where a further advance is made by the insured institution at the same time as the Modernization Loan, for the purpose of paying off delinquent taxes or assessments, this limitation will not apply.

Some institutions covered by this special exception of the Administrator are now charging financing rates within the maximum permitted by the Regulations. Such an institution may check its charges against the maximum permitted. The Gross Charge Factor Table set forth under Regulation No. 3, and Question and Answer No. 3b, has been extended to cover a period of 180 months. To determine whether an obligation complies with Regulation No. 3, it will be necessary only to multiply the net proceeds by the appropriate Gross Charge Factor. By net proceeds is meant the net amount received by the borrower after deduction of all expenses paid by, or chargeable to, the borrower incident to the securing of the loan. If the borrower is not required to pay, whether as principal, interest, fees, or charges of any kind, an amount in excess of the net proceeds received by him plus the gross charge calculated thereon as above, the obligation will comply with Regulation No. 3. If an institution is in doubt about the compliance of its plan with Regulation No. 3, it may send to the Federal Housing Administration a statement of its plan accompanied by a specific example, and the Administration will examine them and notify the institution whether they are in compliance.

Question No. 5d.—May savings, building and loan associations, cooperative banks, and similar institutions take notes with maturities in excess of five years, where the advance of credit exceeds $2,000?

Answer.—No. The permission to take notes with maturities in excess of five years is strictly limited to the cases where the advance of credit does not exceed $2,000.

Question No. 5e.—Will an obligation calling for 60 monthly payments, with the first payment falling due two calendar months or less from the date of the note, be eligible for insurance?

Answer.—Yes. Where an obligation calls for not more than 60 monthly payments, and the first payment is within the limits prescribed by Regulation No. 6, the obligation will be deemed to comply with Regulation No. 5.

REGULATION No. 6

[Applicable to all loans]

Notes must be payable in equal monthly, semimonthly, or weekly installments. The final installment may be slightly more or less than the other installments, subject to such exceptions as may be made by the Administrator. Notes may not provide for a first payment less than six days nor more than two calendar months after the date of the note. However, if the income of the maker is received in the form of proceeds from the sale of agricultural crops or livestock, a note may be made payable in installments corresponding to income periods shown on the Credit Statement. Even in such cases at least one payment must be made yearly, however, and the proportion of total principal to

be paid in later years must not exceed the proportion of total principal payable in earlier years.

Question No. 6a.—What is the reason for the general requirement that payments be made in equal periodic installments?

Answer.—Loans made under Title I are to cover the recurrent costs that occur in maintaining real estate in good condition and repair, and to amortize the cost of the installation of eligible equipment and machinery. Periodic payments tend to induce the borrower to make provision for the installments from income. Although for the sake of convenience the final payment may be slightly less than the others, thus changing the ratio of the charge to the borrower to the average amount outstanding on the debt over the maximum set by Regulation No. 3, this will not affect the insurance coverage.

Question No. 6b.—May the date of the first installment and subsequent payments be arranged to coincide with the day on which it will be most convenient for the borrower to meet his payments?

Answer.—Yes. The date fixed for the start of the periodic payments should be made agreeable to the borrower. An insured institution may arrange the first payment anywhere from six days to two calendar months from the date the note is made, but thereafter each payment should be made on a regular schedule figured from the date of the first payment. Although the time elapsing between the date of the note and the date set for the first payment may slightly increase the ratio of the charge to the amount outstanding on the debt over the maximum set in Regulation No. 3, this will not affect the insurance coverage.

Question No. 6c.—Must an insured institution permit prepayment of a note?

Answer.—No; but it is desirable to do so.

Question No. 6d.—What effect will the acceptance of payment in advance on a note have on its eligibility for insurance in respect of the maximum charge permitted by the Administrator?

Answer.—Where the prepayment is merely voluntary payment of an installment prior to due date, such payment shall not be construed as increasing the ratio provided for in Regulation No. 3. However, if the entire balance outstanding on the note is paid in advance, the insured institution must make a rebate at a rate not less than 5% per annum on the amounts so paid in advance of their due dates, if the insured institution has taken the maximum charge permitted by the Administrator. If a lesser charge has been taken the rebate must be at not less than a proportional rate. The unearned portion of the original charge retained by the insured institution represents compensation to it for making the loan and setting the transaction up on its books. This also is construed as conforming with Regulation No. 3.

A simple formula for arriving at the minimum rebate required is:

$$\frac{\text{Unmatured balance} \times 5\%}{12} \times \frac{N+1}{2}$$

NOTE.—N=number of periods anticipated. "Unmatured balance" does not include past due amounts. Substitution of any greater percentage for 5% (which is the minimum) is encouraged.

REGULATION No. 7

[Applicable only to Section 2 loans of $2,000 or less]

A note evidencing an advance of credit not in excess of $2,000 will be eligible for insurance if it was executed in connection with a loan to finance repairs, alterations, or additions upon improved real property, including the cost of architectural and engineering services if any.

(See Special Regulation No. 7 governing loans under Section 6.)

Question No. 7a.—Will loans made by an insured institution prior to April 1, 1936, or obligations purchased by such an institution prior to such date, for the purpose of financing eligible transactions be eligible for insurance under Contracts of Insurance issued on and after April 1, 1936?

Answer.—No. Section 2 of Title I of the National Housing Act was extended by Congress effective April 1, 1936, subject to certain limitations. The effective date of the extension is April 1, 1936, and new contracts have been issued under the extension. Therefore only those loans, or purchases of obligations not previously reported for insurance, made on or after that date, will be eligible for insurance under such contracts. Loans or purchases made by an insured institution prior to April 1, 1936, could be reported only under the Contract of Insurance in effect up to April 1, 1936, and must have complied with, and have been reported within the period provided for by, the Regulations in effect at the time the loan or purchase was completed. Transfers of insurance reserves on obligations reported for insurance under Contracts of Insurance effective up to April 1, 1936, will be handled in accordance with the provisions of said contract and the Regulations issued thereunder, and will not affect insurance reserves under contracts issued on and after April 1, 1936. Notes taken to refinance existing obligations not previously reported for insurance are ineligible. (Questions and Answers No. 7a and 24a are identical.)

(See Special Question and Answer No. 7a governing loans under Section 6.)

Question No. 7b.—What is the meaning of the term "improved real property" as used in the Regulations?

Answer.—"Improved real property" means real property on which there is a complete structure at the time the loan is made. The purpose of Section 2 of Title I is to make credit available for the modernization and repair of existing structures, and additions thereto, and not for the purpose of completing unfinished buildings. Section 2 of Title I of the National Housing Act specifically requires that the property upon which the proceeds of the loan are to be expended be already improved and the Administrator therefore has no discretion in this matter.

Unless a complete structure exists upon the property upon which the proceeds of the loan are to be expended, the loan will not be eligible for insurance. Of course, this does not prohibit the repair of a previously complete structure which has been damaged but not substantially destroyed by deterioration, or flood, fire, or other casualty; nor the construction of an attached or unattached garage, barn, outbuilding, or other appurtenant structure in connection with a completed house or other major structure. It does, however, make ineligible loans for the purpose of finishing the erection of an incomplete structure. The device of erecting an appurtenant structure first, and then obtaining an insured loan for the erection or completion of the major structure, cannot be approved under Title I as amended. Loans in excess of $2,000 for new construction on vacant land were never eligible for insurance, and are not eligible now.

(See Special Question and Answer No. 7b governing loans under Section 6.)

Question No. 7c.—If architectural and engineering services may be included as expenses which may be paid out of the proceeds of a loan, may not such other expenses as fire insurance and taxation resulting from the work also be included?

Answer.—No. Architectural and engineering expenses are as much a part of the cost of alterations, repairs, or additions as the wages of the labor employed. Expenses such as possible increased fire insurance or taxation costs resulting from the fact that the work was done are not costs of the job.

Question No. 7d.—What if the maker of the note uses the proceeds for something other than alterations, repairs, or additions upon improved real property, as certified in the Credit Statement?

Answer.—So far as the insured institution is concerned it can rely in this case upon the statement of the borrower who signs the Credit Statement certifying that the entire proceeds will be used exclusively in payment for repairs, alterations, or additions upon the improved real property.

The Administrator does not place upon the insured institution the burden of verifying the truth of any such statement. Even if such statements are investigated after the loan is made and found to be false, this will not affect in any way the eligibility of the note for insurance. However, any borrower making such a false statement or misusing the funds, or any dealer, contractor, or lender who knowingly assists in such a violation, would be committing a Federal offense under the provisions of the National Housing Act. In all cases where the insured institution discovers a material misstatement in the Credit Statement, or misuse of the funds, it should promptly report such a discovery to the Administration.

Question No. 7e.—Will loans in the amount of $2,000 or less, for the purpose of financing the purchase and installation of equipment and machinery which is not permanently affixed to the real property in such manner as to become a part thereof, be eligible for insurance?

Answer.—No. Under Section 2 of the National Housing Act, as amended effective April 1, 1936, loans in the amount of $2,000 or less are specifically limited to loans for the purpose of financing repairs, alterations, and additions upon improved real property. Under the terms of the Act, therefore, only those loans involving repairs, alterations, or additions upon improved real property will be eligible for insurance. Heating systems, including stokers, oil burners, and coal, gas, and electric furnaces which are a part of such a system; wiring systems, including permanent fixtures; plumbing systems, including permanently installed water heaters, sinks, tubs, and so forth; and built-in air conditioning and fire control systems will be considered to be alterations or additions to real property and are therefore eligible with respect to loans of $2,000 or less. Refrigerators, both commercial and domestic; washers, ironers, cooking stoves, both commercial and domestic; scales, counters, bars, showcases, and so forth, which may have been previously eligible for purchase and installation in either Class A or Class B properties, are now ineligible unless the proceeds of the loan to be used for their purchase and installation are in excess of $2,000 and cover installations on Class A properties.

The mere fact that an item of equipment or machinery is plugged into the electric system or attached to the water or gas lines will not make a loan for its purchase eligible for insurance. Unless the equipment or machinery becomes an integral and permanent part of the structure, a loan for their purchase will not be eligible for insurance.

Where any doubt exists as to the eligibility of a transaction which is to be financed with an insured loan, the facts of the case, with descriptive material, should be submitted to the Administrator at Washington for a specific ruling.

(See Special Question and Answer No. 7e governing loans under Section 6.)

REGULATION No. 8

[Applicable only to loans of $2,000 or less]

Where a conditional sales contract, chattel mortgage, or other similar security device is used to secure the payment of loans for eligible equipment and machinery, the insured institution may not both proceed against the equipment and also make claim under the Contract of Insurance, but must elect which method it desires to pursue. If claim is made under the Contract of Insurance, the conditional sales contract, chattel mortgage, or other similar security device must be assigned to the Administrator along with the note or other evidence of indebtedness.

REGULATION No. 9

[Applicable to all Section 2 loans]

Taxes, assessments, and payments on principal and interest on mortgages on the property to be improved need only to be in such standing as is acceptable to the insured institution. The status of such items, whether delinquent or not, shall not affect the eligibility of a note for insurance if the insured institution is willing to extend the credit.

(See Special Regulation No. 9 governing loans under Section 6.)

Question No. 9a.—What should be the status of taxes and assessments?

Answer.—While it is not a requirement that taxes and assessments be paid up to date in the case of property on which the proceeds of a Modernization Loan are to be expended, the condition of taxes and assessments is an important factor in determining whether the borrower assumes a proper attitude toward his obligations, and, therefore, full consideration should be given to this matter in determining the advisability of extending credit under the Modernization Credit Plan. Information on the status of taxes and assessments must be included in the Credit Statement. The widely different laws and conditions in the various jurisdictions cause a situation, however, which is best met by permitting an insured institution to use its own discretion in deciding how the status of taxes and assessments should affect the approval of a loan to be reported for insurance.

Question No. 9b.—What should be the status of the mortgage?

Answer.—With the exception of HOLC mortgages, the only requirement is that the insured institution shall be satisfied with the credit risk, whether or not the principal or interest payments on a mortgage are up to date. This applies whether or not the institution making the loan is the holder of the mortgage. Although the information regarding this item is important, the nature of the information will not affect the insurability of the note.

With respect to those applicants whose mortgages have been taken over by the Home Owners' Loan Corporation (some of which contain a covenant prohibiting structural changes without prior consent), an exception to the foregoing general policy is obviously necessary. If such an applicant certifies on the Credit Statement that no payments on his HOLC mortgage are overdue, the insured institution may use its discretion in determining the advisability of making the loan. If, on the contrary, such an applicant discloses that his HOLC mortgage is in arrears, it is obviously improper for one agency of the Federal Government to insure the credit of an applicant who is already in default on an obligation to another agency of the same Government. Therefore, the notes of such applicants are not insurable. In making a credit decision with respect to an HOLC applicant who is not in arrears, the insured institution will naturally wish to give consideration to the fact that a number of HOLC mortgagors are at this time paying only interest but must shortly assume the burden of monthly payments on principal also. If the principal payments on the mortgage, plus the payments on the Modernization Loan, are likely to put too great a strain upon the applicant's income, the insured institution will, of course, bear this in mind in arriving at its decision.

REGULATION No. 10

[Applicable to all loans]

The question of the financial condition of the borrower is left to the reasonable judgment of the insured institution as a credit matter. The borrower must furnish the lending institution a signed statement, approved as to form by the Administrator, which in the judgment of the insured institution shows the borrower to be solvent, with reasonable ability to pay the obligation and in other respects a reasonable credit risk in view of the insurance provided by the National Housing Act.

(See Regulation No. 27, applicable to loans over $5,000.)

Question No. 10a.—Does the Administrator impose any minimum requirements as to the borrower's income or credit standing?

Answer.—No. Solvency in respect of borrowers on small character loans is a matter difficult at times to determine in an accounting sense. The judgment of the insured institution will govern on loans not exceeding $2,000 if the application for such a loan is on a form approved by the Admin-

istrator. It is felt that since insured institutions have by now had considerable experience in what heretofore was for many of them a totally new type of credit, such questions as the minimum income to be required of the borrower should be left to their discretion, since they are undoubtedly more able to judge the extrinsic factors surrounding each transaction which might make a loan advisable or inadvisable. The borrower's ability to repay is the most important factor in determining whether credit should be extended. The most careful consideration should be given to this credit factor.

On loans in excess of $2,000, the proceeds of which must be expended on Class A properties, a balance sheet and profit and loss statement, forms of which are provided by the Federal Housing Administration, will be required.

Question No. 10b.—Must the Credit Statement in loans of $5,000 and less be forwarded to the Federal Housing Administration, along with a report of the loan?

Answer—No. However, the Credit Statement on which a loan was made, or a copy thereof, must be forwarded to the Federal Housing Administration on request. A request for a Credit Statement will not result in the withdrawal of the insurance on the loan if it complies with the Regulations.

REGULATION No. 11

[Applicable only to loans of $2,000 or less]

Any number of separate notes may be made in connection with any number of pieces of property, but not more than $2,000 of such credit may be expended on any single piece or property.

Question No. 11a.—What is the meaning of this Regulation?

Answer.—This means that one borrower may obtain any number of insured loans to improve any number of separate pieces of property, provided that not more than $2,000 is outstanding at any one time in connection with any one piece of Class B property. (See Regulation No. 25 in respect to loans over $2,000.) Regulation No. 11 does not refer to the use of series notes, further amplified in Question and Answer No. 1b.

REGULATION No. 12

[Applicable to all loans]

If a note on its face complies with the requirements, and if the Credit Statement reveals the other facts necessary to make the loan eligible, these may be accepted as final and conclusive proof of eligibility, and no further evidence will be required by the Administrator.

(See Regulation No. 27, applicable to loans over $5,000.)

Question No. 12a.—What information should be revealed in the Credit Statement?

Answer—The Credit Statement should give information about the borrower's income and credit standing and his ownership of the property, or if he is a lessee, the expiration date of the lease in accordance with Regulation No. 1. It should also reveal possible violations of Regulations No. 11, 24, and 25, limiting the amount which may be expended by any one borrower on any one piece of property. In addition, the Credit Statement contains a certification by the borrower that he intends to use the proceeds of the note for the purposes set out in Regulation No. 7 or 24. Where the applicant is an HOLC mortgagor, compliance with Question and Answer No. 9b should be indicated on the Credit Statement.

Question No. 12b.—Will the failure of the insured institution to discover the falsity of the borrower's representations in his Credit Statement make a note ineligible for insurance?

Answer.—No. If the insured institution, after making the loan or purchasing the note in good faith, learns of the falsity of any material statement made in the Credit Statement, this will not invalidate the insurance, but the facts of such discovery should be reported to the Federal Housing Administration promptly.

REGULATION No. 13

[Applicable to all loans]

Eligible notes must be reported on the proper form to the Federal Housing Administration, Washington, D. C., within 31 days from the date of the note, or the date upon which it was purchased, in order to be covered by the insurance. All notes paid in full, refinanced, sold without recourse, or sold with recourse under an agreement as authorized by Regulation No. 18, must likewise be reported within 31 days, on the proper form. In any case, the Administrator may, in his discretion, accept a late report.

REGULATION No. 14

[Applicable to all loans]

Subject to Regulation No. 18, claims may include:

(1) Net unpaid amount of advance actually made or the actual purchase price of the note, whichever is the lesser;

(2) Uncollected earned interest (after default interest is not to be claimed at a rate to exceed 6% per annum and will be calculated to the date the claim is certified for payment—see Regulation No. 4)

(3) Uncollected late charges (see Regulation No. 4)

(4) Uncollected court costs, including fees paid for issuing, serving, and filing summons;

(5) Attorney's fees not exceeding 15% of the amount collected on the defaulted note;

(6) Handling fee of $5 for each note, if judgment is secured, plus 5% of amount collected subsequent to return of unsatisfied property execution.

Question No. 14a.—On the following statement of facts, how much would an insured institution be entitled to as a claim under the Contract of Insurance? Suppose on a $1,000 three-year note, dated August 1 and payable in monthly installments of $27.78, the maximum discount of $130.28 was taken. Payments were received as follows: The first five payments were made on the dates due; i. e., September 1, October 1, November 1, December 1, and January 1, the payment due February 1 was received 60 days late; i. e., April 1. No further payments were received and the insured institution matured the note, demanded payment of the full unpaid balance, brought suit, obtained judgment, and property execution was returned unsatisfied. (It is not required that the institution do this before filing claim, but it is to its advantage to make every effort to collect the claim in order to preserve its insurance reserve.) On July 1, $50 was collected. Nothing more was received, and claim for loss was made on the Administrator, which claim was approved for payment on August 1.

Answer—In calculating claims, the date of default from which the institution is entitled to 6% interest is, in this instance, March 1, i. e., the earliest date on which an installment was due and for which full payment was not received prior to the maturing of the note. Therefore, the above claim would include the following items:

1. Charge for full term of loan, $130.28. This charge is to be prorated to the date of default. The proration is figured on the basis of the period elapsed from the date the note was executed until the date of default as determined above.	
Charge prorated to date of default	$45.19
Proceeds of loan (amount received by borrower)	869.72
Total to date of default	914.91
Less amount received in regular installments	166.68
Unpaid principal at time of default	748.23
Less amount received other than in regular installments	50.00
Net unpaid principal	698.23
2. Interest earned at 6% on $748.23 from March 1 to July 1	15.01
Interest earned at 6% on $698.23 from July 1 to August 1 (date claim was approved for payment)	3.56
3. Late charges of $1.39 each for February, March, and April payments. Default is March 1, calculated as above. Only one late charge may be claimed after the one becoming due because of the failure to make a payment on the date of default	4.17
4. Uncollected court costs and disbursements	6.00
5. Attorney's fees, 15% of $50 (amount collected after default)	7.50

6. Handling fee for securing judgment	$5.00
Handling fee of 5% of amount collected subsequent to unsatisfied property execution	2.50
Total amount to be paid	741.97

Question No. 14b.—Does the fact that the note provides for payment of interest at the full legal rate on the unpaid principal at some other rate than 6% after default resulting in a maturing of the entire balance of the obligation, affect the amount for which claim may be made?

Answer.—No. The Federal Housing Administrator assumes no control over the rate of interest to be charged to borrower after default in his payments if the whole obligation is matured, but uncollected interest earned after default will be paid by the Federal Housing Administrator only at the rate of 6%, calculated from the date of default to the date the claim is approved for payment.

Question No. 14c.—What is the meaning of the provision in Regulation No. 14 that attorney's fees not exceeding 15% of the amount collected on a defaulted note may be included in a claim under the Contract of Insurance?

Answer.—The attorney's fees provided for in Regulation No. 14 are intended to cover the case of a note which has become in final default (a default which results in a claim being made under the Contract of Insurance) and it appears to the insured institution to be necessary to put the note in the hands of an attorney for collecion or suit. It is not intended to cover the cost of routine correspondence which may be carried on by an attorney because of occasional delinquencies. The late charge provided for in Regulation No. 4 is intended to compensate the institution for expense of this kind.

Question No. 14d.—Does the omission from the note of such a provision for attorney's fees affect the right of an insured institution to make claim for actual attorney's fees expended, not exceeding 15% of the defaulted amount collected?

Answer.—No.

Question No. 14e.—Do attorney's fees include fees paid to a collection agency or only actual payments to regular attorneys?

Answer.—Attorney's fees for which claim may be made cover actual expenditures not exceeding 15% of the defaulted amount collected whether such fees have been paid to an attorney or to a collection agency employed by the insured institution.

Question No. 14f.—Suppose an insured institution does not employ an outside attorney but has its own legal staff to effect collections. May it nevertheless make claim for attorney's fees?

Answer.—Yes. An insured institution operating in this manner will be entitled to assess a proper proportion of the cost of maintaining its own legal staff, not exceeding 15% of the defaulted amount collected, as a claim for attorney's fees where actual collection work is carried on in this fashion.

Question No. 14g.—If a borrower is in default, and the note is put in the hands of an attorney for collection, who induces the borrower to agree to pay the amount outstanding if he is not called upon to pay attorney's fees, may the insured institution claim upon the Administrator for attorney's fees up to 15% of the amount collected, after having thus waived any such right against the borrower?

Answer.—No. If the insured institution waives its claim against the borrower, it may not call upon the Administrator for payment of such an item.

Question No. 14h.—On what basis will claims be paid where a qualified note reported by an insured institution was purchased by the insured institution from a dealer or contractor, and as further security for the repayment of the note by the borrower, the institution has retained a part of the face amount of the note as a hold-back, as well as deducting the finance charge in advance?

Answer.—Since the insured institution is advancing less than the actual proceeds of the note to the dealer or manufacturer, the finance charge taken by the insured institution may not exceed the maximum ratio of gross charge to average outstanding balance permitted by the Administrator in Regulation No. 3, based on the actual amount advanced by the insured institution for the period during which its funds were at risk.

If all charges have been calculated correctly, the insured institution would, in event of default leading to a claim under the Contract of Insurance, be entitled to the amount actually advanced by it, less the amount of payments received, and less the amount of the discount deducted in advance by the institution, plus the unpaid earned discount and the other items specifically allowed by Regulation No. 14.

Question No. 14i.—Where an insured institution uses a series of notes rather than one installment note as evidence of an advance of credit, will the Administrator pay $5 for the obtaining of a judgment on each note of the series?

Answer.—No. In such a case, the insured institution should sue for the whole amount due it and the Administrator will pay the $5 fee only once for obtaining judgment on any one transaction.

REGULATION NO. 15

[Applicable to all loans]

Claim for reimbursement for loss on a qualified note may be made to the Administrator at any time after payment of such note has been in default for a period of 60 days and demand has been made upon the debtor for the full unpaid balance. The Administrator in his discretion may at any time and from time to time call for a report from any insured institution on the delinquency status of the obligations held by such institution and reported to him for insurance.

If within the first year after default the borrower has not made payments on his obligation aggregating at least 10% of the balance due on the date of default, claim must be made within 30 days thereafter. If in any subsequent six-month period the borrower has not made payments aggregating at least 5% of the unpaid balance as of the beginning of such period, claim must be made within 30 days thereafter.

Question No. 15a.—Is it the policy of the Administrator to insist upon claims being filed immediately upon a default?

Answer.—No. It is to the interest of an insured institution to carry the collection process on notes as far as there is reasonable prospect of ultimate payment, not only to conserve the insurance reserve for possible subsequent losses, but also to impress upon the community that these notes should receive the same prompt handling as do other credit obligations. However, when it becomes apparent that further collection effort on the part of the insured institution would not be productive, claim should be filed immediately.

Insured institutions are allowed a full year after default on the note to make collections on delinquent items. If, during the period of one year, collections of 10% of the balance due at the date of default are made, and if, during each subsequent six months, there is paid 5% of the balance due at the beginning of such period, the Administrator will not require any claim to be made, but will permit the insured institution to continue with its collection effort. In any case, if payment in full on a note reported for insurance has not been received within one year after the expiration of five years from the date of the original advance of credit, claim must be made upon the Administrator within 30 days thereafter.

Question No. 15b.—What obligation rests upon an insured institution once it has made a claim under the Contract of Insurance?

Answer.—None. Once a claim has been paid by the Administrator and the note (or an unsatisfied judgment, if obtained) and any security taken assigned to him, further efforts to salvage will be undertaken by the United States Government.

Question No. 15c.—Will the Administrator merely absorb and write off defaulted notes?

Answer.—No. The Administrator will insist on payment in full by makers of notes. The full resources of the Federal Government, including the United States Department of Justice, will be used, if necessary, in effecting collections.

REGULATION No. 16

[Applicable to all loans]

Claim may be made only for loss sustained by the insured institution itself.

REGULATION No. 17

[Applicable to all loans]

Claims must be made on the proper form, which must be filled out completely and executed in duplicate by a duly qualified officer of the insured institution. If the Regulations have been complied with, payment of the loss incurred will be made upon audit of the claim and upon proper endorsement to the Administrator of the note upon which the loss occurred. If judgment has been taken, assignment of the judgment must be made.

Question No. 17a.—In submitting statement of claim on defaulted notes there may be cases in which it would not be practicable to transmit all of the documents required, and if such is the case what provision will the Administrator make to facilitate payment of the claim?

Answer.—In any such case the Administrator will consider arranging with the insured institution for the submission of a proper transcript or copies sufficient to audit the claim adequately, with the understanding that the documents in question will be forwarded upon passing of the claim for payment.

Question No. 17b.—What form of assignment or endorsement must be used in transferring the evidence of the borrower's indebtedness or the security taken on such indebtedness to the Administrator, in event of claim under the Contract of Insurance?

Answer.—The following form of assignment, or one substantially similar, should be used in assigning a judgment, conditional sales contract, chattel mortgage, or real estate mortgage to the Administrator:

All right, title, and interest of the undersigned is hereby assigned (without warranty, except that the note qualifies for insurance) to the Federal Housing Administrator, acting on behalf of the United States of America.

_____
Financial Institution

By _____

_____
Title

This same form may be used in assigning a note to the Administrator, or an institution may, if it desires, endorse the note without recourse.

REGULATION No. 18

[Applicable to all Section 2 loans]

Subject to the limitation that his total liability under insurance heretofore or hereafter granted to all insured institutions shall not exceed $100,000,000, the Administrator, in accordance with Regulation No. 14, will reimburse any insured institution for losses sustained by it up to a total aggregate amount equal to 10% of the total amount advanced by it during the time its Contract of Insurance is in force, on all eligible obligations not previously reported for insurance, taken or purchased by it on or after April 1, 1936, and held by it, or on which it remains liable.

If obligations previously reported for insurance under Contracts of Insurance issued pursuant to the amendment effective April 1, 1936, are sold to another insured institution endorsed with or without recourse the buying and selling institutions may agree, with the prior approval of the Administrator, to transfer all or any part of the insurance reserve standing to the credit of the selling institution, to the purchasing institution. Where the parties agree to transfer an insurance reserve in excess of 10% of the actual purchase price of the obligations involved, or in excess of 10% of the net unpaid original advance on the obligations involved, whichever is the lesser, the entire insurance reserve transferred may be used to pay only those claims arising out of defaults occurring in the transferred obligations. When the obligations so transferred have all been fully paid to the purchasing institution, it shall so notify the Administrator, and any insurance reserve remaining unused shall thereupon revert to the institution from which it was originally transferred.

Where the parties agree to transfer an insurance reserve not in excess of 10% of the actual purchase price of the obligations involved, or not in excess of 10% of the net unpaid original advance on the obligations involved, whichever is the lesser, the insurance reserve so transferred will be credited to the general reserve of the purchasing institution in the absence of any agreement to the contrary between the purchasing and selling institutions.

The transfer of insurance reserve in cases of merger or consolidation of two or more insured institutions will be provided for by the Administrator in accordance with the facts of the particular case.

In all cases the reports required by Regulation No. 13 must be filed and must indicate the intent of the parties with regard to the transfer of insurance reserve.

Where the notes are transferred without recourse, guarantee, or repurchase agreement and the reports do not indicate the intent of the parties, the insurance reserve will be transferred to the general reserve of the purchasing institution on the basis of 10% of the actual purchase price of the obligations involved, or 10% of the net unpaid original advance on the obligations involved, whichever is the lesser.

Where the transfer of the obligations is with recourse or under a guarantee or purchase agreement and the required reports do not show the intent of the parties, no insurance reserve will be transferred.

(See Special Regulation No. 18 governing loans under Section 6.)

Question No. 18a.—Does Regulation No. 18 mean that the 10% insurance reserve is based upon the notes held by the insured institution at the time claim is made?

Answer.—No. The Administrator will reimburse any insured institution on all losses sustained by it up to a total aggregate amount equal to 10% of the total amount advanced by it on all qualified notes taken or purchased during the time the Contract of Insurance issued pursuant to the amendment effective April 1, 1936, is in force, provided that it continues liable on, or holds such notes, until maturity or until claim is made. Thus, if an insured institution makes advances of credit or expends a total amount of $100,000 for the purchase of qualified notes, and the full $100,000 has been repaid, the insurance reserve still stands as 10% of $100,000, or $10,000.

The insurance reserve, once created, is not reduced, except by the payment of claims under the Contract of Insurance, or the transfer of insurance reserves from one institution to another under the provisions of Regulation No. 18. Insurance reserves created under Contracts of Insurance issued prior to April 1, 1936, may not, of course, be transferred so as to be added to reserves created under Contracts of Insurance issued subsequent to April 1, 1936.

Question No. 18b.—Will any amounts salvaged by the Administrator, on a note for which an institution has been reimbursed under its Contract of Insurance, be added to the insurance reserve remaining to the credit of the insured institution?

Answer.—No. Once a claim has been paid by the Administrator the loan is transferred absolutely to him, and any amounts that may be collected thereon in no way accrue to the benefit of the insured institution's insurance reserve.

Question No. 18c.—What is the effect of the statement in Regulation No. 18 that the total liability of the Administrator to all insured institutions shall not exceed $100,000,000?

Answer.—Section 2 of Title I of the National Housing Act, as amended, effective April 1, 1936, limits to $100,000,000 the liability which the Administrator may assume in respect of all notes insured under Title I between June 27, 1934 (the effective date of the original Act), and April 1, 1937 (the termination date of Section 2 of the Act as amended). When it seems likely that the maximum liability of the Administrator will be reached, all institutions will be so advised sufficiently in advance for their protection.

Question No. 18d.—Where notes reported by one insured institution to the Federal Housing Administration for insurance are pledged to another insured institution as security for a loan, will it be possible for the pledging institution to assign a part of its insurance reserve to cover losses on the notes pledged in the hands of the pledgee?

Answer.—Yes. Such an assignment of the pledging institution's insurance reserve may be made with the prior consent of the Administrator. Requests for consent to the assignment should be accompanied by a signed agreement between the two institutions.

REGULATION No. 19

[Applicable to all loans]

New obligations taken to liquidate loans previously reported for insurance will be covered by insurance if they meet the requirements of Regulations No. 1, 3, 4, 5, 6, and either 7 or 24. They must be reported on the proper form within 31 days from date of execution, except that the Administrator may, in his discretion, accept a late report.

Question No. 19a.—Suppose the insured institution held a $600 discount note maturing in two years, the maximum discount permitted having been taken. At the end of the first year the borrower, having made payments totaling $300, comes in and explains that his circumstances have changed and he requests that he be allowed to make a new note for two years solely to liquidate the existing obligation, so that by spreading the remaining balance over a period of two years he could reduce the amount to be repaid monthly—how will this be figured and what will be the amount of the new note?

Answer.—There are two things the insured institution has to consider. First, how much is required to liquidate the existing note? Second, for what amount should the new note be written to yield the amount required to liquidate the unpaid balance of the existing note and provide for the proper finance charge on the new note? In the instance cited, the borrower has repaid $300 and still owes $300.

The insured institution must make a reasonable refund at a rate of not less than 5% per annum on the installments being refinanced. This would amount to a minimum rebate of $8.13 in the example given. The amount required to liquidate the existing note is then the difference between the unpaid face amount of the note—$300—and the rebate of $8.13, or $291.87. This is the same calculation the insured institution would make if the borrower were seeking to pay off his obligation in cash instead of by making a new loan.

Referring to the Tables of Calculations, we find that to finance $291.87 for two years would cost $29.54 and the new note would, therefore, be made for $321.41. The borrower's monthly installments would be $13.39 for 24 months as contrasted with his previous installments of $25 for remaining 12 months of the original note.

In no case, however, may the insurance cover a period in excess of five years from the date of the original obligation reported for insurance.

Question No. 19b.—Is the amount of the new obligation added to the total amount of loans made by the insured institution in calculating its insurance reserve?

Answer.—No. The original advance of credit was added to the total amount of loans made and is not deducted by reason of the fact that it is being refinanced through a new note. The new note could not, therefore, also be added.

Question No. 19c.—Will an agreement to extend or defer payments on a note previously reported for insurance without rewriting the note affect the insurance coverage on the note?

Answer.—No; subject to the following limitations:

1. The cost to the borrower may not be increased by any charge for the extension over the prescribed ratio of 0.097166 based on the revised schedule of payments. It is of the utmost importance that this provision be adhered to as any deviation will be considered to invalidate the insurance on the note.

2. In no case will the insurance coverage extend more than five years from the date of the original advance of credit.

3. Where extension charges are paid in advance, but the borrower does not fulfill his contract, the insured institution may retain only that portion of the charge actually earned, and if claim is made under the Contract of Insurance, the balance must be credited as a payment to principal.

It will not be necessary for the institution to report extension agreements under which the original note remains in effect unless claim is made, at which time full details of the agreement and collections thereunder must be reported.

REGULATION No. 20

[Application to all loans]

New obligations taken to liquidate loans previously reported for insurance, but not complying with Regulation No. 19, may be covered by insurance with the approval of the Administrator upon submission to him of the facts of the case.

REGULATION No. 21

[Applicable to all loans]

Any note, acquired before receipt of actual notice of any change in the Regulations or Explanatory Material, which complies with the Regulations or Explanatory Material in force at the time of such acquisition, whether reported prior to or subsequent to the date or dates of such changes, will be eligible for insurance. The statement of the insured institution of the receipt or nonreceipt of any such amendment or change will be accepted as final.

REGULATION No. 22

[Applicable to all loans]

Any amendment to these Regulations issued by the Administrator, and any Explanatory Material issued and declared to be a part of the Regulations by the Administrator, shall become effective as of the date of issuance, unless otherwise declared, provided that no such amendment or Explanatory Material shall cause a note, previously acquired by an insured institution, to become ineligible for insurance.

REGULATION No. 23

[Applicable only to loans in excess of $2,000]

An advance of credit in excess of $2,000 but not in excess of $50,000 will be eligible for insurance if it complies with Regulations No. 1 to 22, inclusive, except Regulations No. 2, 7, 8, and 11, and if it also complies with the following Regulations, which shall apply only to advances of credit in excess of $2,000.

Question No. 23a.—Why do Regulations No. 2, 7, and 11 not apply in the case of advances of credit in excess of $2,000?

Answer.—The amendment to Title I of the National Housing Act sets certain limitations on loans over $2,000; therefore Regulations Nos. 2, 7, and 11, specifically directed to loans or advances of credit which do not exceed $2,000, do not apply on loans in excess of that amount. Likewise, Regulations No. 23, 24, 25, 26, and 27, specifically directed to loans in excess of $2,000, do not apply to loans in lesser amounts. Except Regulation No. 8, all other Regulations apply with equal force to all loans.

REGULATION No. 24

[Applicable only to Section 2 loans in excess of $2,000]

An advance of credit in excess of $2,000, but not in excess of $50,000, to be eligible for insurance, must have been made for the purpose of financing (1) repairs, alterations, or additions upon real property already improved by apartment or multiple-family houses, hotels, office, business, or other commercial buildings, hospitals, orphanages, colleges, schools, churches, or manufacturing or industrial plants, or improved by some other structure which is to be converted into one of the foregoing types of property, or (2) the purchase and installation, in connection with one of the foregoing types of property, of eligible equipment and machinery.

(See Special Regulation No. 24 governing loans under Section 6.)

Question No. 24a.—Will loans made by an insured institution prior to April 1, 1936, or obligations purchased by such an institution prior to such date, for the purpose of financing eligible transactions be eligible for insurance under Contracts of Insurance issued on and after April 1, 1936?

Answer.—No. Section 2 of Title I of the National Housing Act was extended by Congress effective April 1, 1936, subject to certain limitations. The effective date of the extension is April 1, 1936, and new contracts have been issued under the extension. Therefore only those loans, or purchases of obligations not previously reported for insurance, made on or after that date, will be eligible for insurance under such contracts. Loans or purchases made by an insured institution prior to April 1, 1936, could be reported only under the Contract of Insurance in effect up to April 1, 1936, and must have complied with, and have been reported within the period provided for by the Regulations in effect at the time the loan or purchase was completed. Transfers of insurance reserves on obligations reported for insurance under Contracts of Insurance effective up to April 1, 1936, will be handled in accordance with the provisions of said contract and the Regulations issued thereunder, and will not affect insurance reserves under contracts issued on and after April 1, 1936. Notes taken to refinance existing obligations not previously reported for insurance are ineligible. (Questions and Answers No. 24a and 7a are identical.)

(See Special Question and Answer No. 24a governing loans under Section 6.)

Question No. 24b.—May the proceeds of a loan in excess of $2,000 be expended on property not already improved by a Class A type of building or not already improved by another type of building which is to be converted into a Class A type of structure?

Answer.—No. The amendment to Title I of the National Housing Act explicitly limits loans in excess of $2,000 to loans where the proceeds are to be expended on property already improved by a Class A type of building or by some other type of building which is to be converted into a Class A property.

(See Special Question and Answer No. 24b governing loans under Section 6.)

Question No. 24c.—Must equipment and machinery, to be eligible for insured loans, be installed only in connection with a repair or improvement job on the structure?

Answer.—Certain types of equipment and machinery will be eligible even though they are not legally fixtures or part of the real property when installed, and eligible equipment and machinery may be installed with the proceeds of an insured loan even though no structural changes are made upon the real property at the same time, provided the loan is in excess of $2,000, in connection with a single Class A property. The Administrator publishes from time to time statements of eligibility and lists of eligible equipment and machinery. Rulings on specific cases will be available upon application to the Federal Housing Administration, Washington, D. C.

Question No. 24d.—What if the maker of the note uses the proceeds for something other than repairs, alterations, or additions, or the purchase and installation of eligible equipment and machinery, upon improved real property, as certified in the Credit Statement?

Answer.—So far as the insured institution is concerned it can rely in this case upon the statement of the borrower who signs the Credit Statement certifying that the entire proceeds will be used exclusively in payment for repairs, alterations, or additions upon the improved real property, or the purchase and installation of eligible equipment and machinery thereon. The Administrator does not place upon the insured institution the burden of verifying the truth of any such statement. Even if such statements are investigated after the loan is made and found to be false, this will not affect in any way the eligibility of the note for insurance. However, any borrower making such a false statement or misusing the funds, or any dealer, contractor, or lender who knowingly assists in such a violation, would be committing a Federal offense under the provisions of the National Housing Act. In all cases where the insured institution discovers a material misstatement in the Credit Statement, or misuse of the funds, it should promptly report such a discovery to the Administration.

Question No. 24e.—May an advance of credit in excess of $2,000 also include the cost of engineering and architecutral fees?

Answer.—Yes. In may cases it is wise to engage the services of a competent architect or engineer where a structure is to be modernized or rehabilitated. The cost of such services may be included in a note offered to the Administrator for insurance. On the other hand, expenses such as possible increased fire insurance or taxation costs resulting from the fact that the work was done are not costs of the job and may not be included as expenses paid out of the proceeds of a note.

REGULATION No. 25

[Applicable only to loans in excess of $2,000]

Where an advance of credit is for any of the purposes set forth in Regulation No. 24, any number of notes may be executed in connection with any number of pieces of property, but not more than $50,000 may be expended on any one piece of property.

Question No. 25a.—What is the meaning of this Regulation?

Answer.—This means that one borrower may obtain any number of insured loans to improve any number of separate pieces of property, provided that not more than $50,000 is outstanding at any one time in connection with any one piece of Class A property. (See Regulation No. 11 in respect to loans of $2,000 or less.) Regulation No. 25 does not refer to the use of series notes, further amplified in Question and Answer No. 1b.

REGULATION No. 26

[Applicable only to loans in excess of $2,000]

Any security taken by an insured institution must be assigned to the Administrator in event of claim under the Contract of Insurance. If the security taken is nonassignable, all rights in such security must be exhausted by the insured institution or the claim against the Administrator reduced by the full face amount of the security taken before claim will be paid by the Administrator.

Question No. 26a.—What is the attitude of the Administrator to the taking of security on loans in excess of $2,000?

Answer.—Since loans in excess of $2,000 of the type provided for in the amendment to Title I of the National Housing Act are capital loans and not character loans, all available precaution in the way of security should be taken. Where equipment or machinery is installed, the use of conditional sales contracts or some similar security device should be used. Where the insured advance is for repairs, alterations, or additions upon the realty itself, satisfactory security in the form of real estate mortgages, cosigners, or collateral security should be taken.

REGULATION No. 27

[Applicable only to loans in excess of $5,000]

Loans, advances of credit, or purchases of obligations evidencing loans or advances of credit, in excess of $5,000 exclusive of financing charges, will be accepted for insurance only upon the prior approval of the Administrator. Requests for such approval should be accompanied by the borrower's Financial and Credit Statement, including a balance sheet and profit and loss statement, upon a form approved by the Administrator, and any other credit information in the possession of the insured institution.

The Regulations and Questions and Answers contained herein are hereby declared to be effective as of the date hereof, and shall have the same force and effect as if included in and made a part of each Contract of Insurance issued begin-

ning April 1, 1936. The Questions and Answers shall have the same force and effect as the Regulations interpreted thereby.

SPECIAL REGULATIONS ISSUED UNDER THE PROVISIONS OF SECTION 6 OF TITLE I OF THE NATIONAL HOUSING ACT, EFFECTIVE AFTER APRIL 17, 1936

The General Regulations of the Federal Housing Administrator enacted pursuant to Title I of the National Housing Act, as amended, effective April 1, 1936, with the exception of General Regulations 1, 7, 9, 18, and 24, shall govern in connection with all loans and advances of credit made under the amendment to Title I known as Section 6 of said Title, which was approved April 17, 1936, authorizing the Administrator to insure loans or advances of credit for the purpose of financing the restoration, rehabilitation, rebuilding or replacement of improvements on real property and equipment and machinery thereon which were damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood or other catastrophe in the years 1935 or 1936. In lieu of these General Regulations, the following Special Regulations numbered 1, 7, 9, 18, and 24 and the Special Questions and Answers thereunder will apply on all loans and advances of credit made under Section 6. The Special Regulations and Special Questions and Answers appearing hereunder will control wherever there is any conflict between them and any of the General Regulations and General Questions and Answers in effect on and after April 1, 1936, in connection with any loans or advances of credit made under the provisions of said Section 6.

SPECIAL REGULATION NO. 1

[Applicable to all Section Six loans]

Promissory notes must be signed by an owner of real property damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, or by a lessee of such property holding it under an unexpired lease which had an original term of not less than one year. In addition to owners in fee, owners of real property include life tenants and persons holding an equity under a mortgage, trust, or contract. Notes must be in form generally considered to be valid and enforceable in the jurisdiction in which they are issued.

Special Question No. 1e.—What is meant by the term "conflagration" as it appears in Section 6 of Title I of the National Housing Act and in the Special Regulations issued under the provisions of said Section?

Answer.—The term "conflagration" as used in Section 6 of the National Housing Act and in the Special Regulations issued by the Federal Housing Administrator refers to a general fire of extensive proportions which is in the nature of a community catastrophe. The destruction by fire of an individual building or small group of buildings is not within the meaning of the word "conflagration" as used in Section 6 of the National Housing Act.

SPECIAL REGULATION NO. 7

[Applicable only to Section Six loans of $2,000 and less]

A note evidencing an advance of credit not in excess of $2,000 will be eligible for insurance if it was executed to cover the restoration, rehabilitation, rebuilding, or replacement of improvements upon any type of real property, or equipment and machinery installed thereon, which were damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, including the cost of architectural and engineering services, if any, involved in such restoration, rehabilitation, rebuilding, or replacement.

Loans for new construction to replace structures so destroyed or damaged will be eligible for insurance if such new construction is either on the same site, or on a new site in the same locality where the damaged or destroyed property was located.

Special Question No. 7a.—Will loans made by an insured institution prior to or on April 17, 1936 (the effective date of Section 6), or obligations purchased by such an institution prior to or on such date, for financing transactions for the purposes set forth in Section 6 of the National Housing Act, be eligible for insurance under said Section?

Answer.—No. Section 6 of Title I of the National Housing Act was approved by the President April 17, 1936. Since this is the effective date of said Section, only those loans or purchases of obligations made by an insured institution on or after April 18, 1936, and prior to January 1, 1937, which comply with the Special Regulations, will be eligible for insurance. Loans or purchases made by an insured institution prior to April 18, 1936, can be reported only if they comply with the General Regulations issued under Section 2 and in effect on the date of such loan or purchase.

Special Question No. 7b.—Will a loan made to an eligible applicant for the purpose of rebuilding a structure which was substantially or completely destroyed by one of the types of casualty referred to in Special Regulation No. 7, on another site, as, for example, a site where there is less danger of recurrence of such damage or destruction, be eligible for insurance?

Answer.—Yes. Under the provisions of Section 6 of Title I of the National Housing Act, a borrower may use the proceeds of an insured loan to replace a destroyed structure on a new site in the same locality in which the original structure was situated. It is to be noted that the Act and Special Regulation No. 7 require that the new site be in the same locality and do not permit a borrower to take this opportunity to obtain a loan for the purpose of moving his business or his residence from one locality to another. By "locality" is meant the general trading area in which the destroyed property was located.

Special Question No. 7c.—Does Section 6 of Title I of the National Housing Act authorize the Administrator to insure loans for the purchase and installation of equipment and machinery?

Answer.—Yes. Where installed equipment or machinery was damaged or destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, the Administrator is authorized to insure a loan for the purpose of financing the restoration, rehabilitation, or rebuilding of such equipment or machinery, or its replacement with equipment or machinery for a similar use. Eligibility rules regarding types of equipment and machinery given in Form FHA 145 will be applicable to loans made under the provisions of Special Regulation No. 7. Where any doubt exists as to the eligibility of a transaction which is to be financed with an insured loan, the facts of the case, with descriptive material, should be submitted to the Administrator at Washington for specific ruling.

SPECIAL REGULATION NO. 9

[Applicable to all Section Six loans]

Taxes, assessments, and payments on principal, and interest on mortgages on the property to be improved need only be in such standing as is acceptable to the insured institution. The status of such items, whether delinquent or not, shall not affect the eligibility of a note for insurance if the insured institution is willing to extend credit.

In the case of a loan for the purpose of rebuilding or replacing a structure which was substantially or totally destroyed by earthquake, conflagration, tornado, cyclone, hurricane, flood, or other catastrophe in the years 1935 or 1936, the loans must be secured by a mortgage, deed of trust, or other similar instrument which is a first lien on the property improved except for tax and assessment liens. If claim for loss is made on such a loan under the Contract of Insurance, any security taken by the insured institution must be assigned to the Administrator.

SPECIAL REGULATION NO. 18

[Applicable to all Section Six loans]

The Administrator will reimburse any insured institution, in accordance with Regulation No. 14, for any losses sustained by it on loans or advances of credit eligible for insurance and reported under the provisions of Section 6

and the Special Regulations issued pursuant thereto, up to a total aggregate amount equal to 10% of the total amount so advanced by it after April 17, 1936, and prior to January 1, 1937, provided that his total liability under all insurance heretofore or hereafter granted to all insured institutions pursuant to Section 2 and Section 6 shall not exceed $100,000,000. Insurance reserves calculated on obligations reported under Section 6 and the Special Regulations issued thereunder will be segregated from insurance reserves calculated on obligations reported under Section 2 and the General Regulations issued thereunder. If 10% of the total amount advanced by an insured institution on obligations eligible for insurance and reported under Section 6 and the Special Regulations is not sufficient to pay the losses sustained on such obligations, any unused insurance reserve accumulated by such an insured institution under its Contract of Insurance in effect up to April 1, 1936, shall be applicable to the payment of such losses.

If obligations previously reported for insurance under the provisions of Section 6 and the Special Regulations issued pursuant thereto are sold to another insured institution endorsed with or without recourse, the buying and selling institutions may agree, with the prior approval of the Administrator, to transfer all or any part of the insurance reserve standing to the credit of the selling institution, to the purchasing institution. Where the parties agree to transfer an insurance reserve in excess of 10% of the actual purchase price of the obligations involved, or in excess of 10% of the net unpaid original advance on the obligations involved, whichever is the lesser, the entire insurance reserve transferred may be used to pay only those claims arising out of defaults occurring in the transferred obligations. When the obligations so transferred have all been fully paid to the purchasing institution, it shall so notify the Administrator, and any insurance reserve remaining unused shall thereupon revert to the institution from which it was originally transferred.

Where the parties agree to transfer an insurance reserve not in excess of 10% of the actual purchase price of the obligations involved, or not in excess of 10% of the net unpaid original advance on the obligations involved, whichever is the lesser, the insurance reserve so transferred will be credited to the general reserve of the purchasing institution in the absence of any agreement to the contrary between the purchasing and selling institutions.

The transfer of insurance reserve in cases of merger or consolidation of two or more insured institutions will be provided for by the Administrator in accordance with the facts of the particular case.

In all cases the reports required by Regulation No. 13 must be filed and must indicate the intent of the parties with regard to the transfer of insurance reserve.

Where the notes are transferred without recourse, guarantee, or repurchase agreement and the reports do not indicate the intent of the parties, the insurance reserve will be transferred to the general reserve of the purchasing institution on the basis of 10% of the actual purchase price of the obligations involved, or 10% of the net unpaid original advance on the obligations involved, whichever is the lesser.

Where the transfer of the obligations is with recourse or under a guarantee or purchase agreement and the required reports do not show the intent of the parties, no insurance reserve will be transferred.

SPECIAL REGULATION No. 24

[Applicable only to Section Six loans in excess of $2,000]

Loans up to $50,000 for the purpose of financing the restoration, rehabilitation, rebuilding, or replacement of apartment or multiple-family houses, hotels, office, business, or other commercial buildings, hospitals, orphanages, colleges, schools, churches, manufacturing or industrial plants, or equipment and machinery installed therein, will be eligible for insurance. Loans may include the cost of architectural and engineering services, if any, involved in such restoration, rehabilitation, rebuilding, or replacement.

Loans for new construction to replace structures so destroyed or damaged will be eligible for insurance if such new construction is either on the same site or on a new site in the same locality where the damaged or destroyed property was located.

Special Question No. 24a.—Will loans made by an insured institution prior to or on April 17, 1936 (the effective date of Section 6), or obligations purchased by such an institution prior to or on such date, for the purpose of financing transactions which comply with the provisions under Section 6 of the National Housing Act, be eligible for insurance?

Answer.—The Answer to this Question is the same as the Answer to Special Question No. 7a.

Special Question No. 24b.—Will a loan made to an eligible applicant for the purpose of rebuilding a structure which was substantially or completely destroyed by one of the types of casualty referred to in Special Regulation No. 24, on another site, as, for example, a site where there is less danger of recurrence of such damage or destruction, be eligible for insurance?

Answer.—The Answer to this Question is the same as the Answer to Special Question No. 7b.

The Special Regulations and Special Questions and Answers contained herein are hereby included in and made a part of each Contract of Insurance issued on and after April 1, 1936, and will supersede the General Regulations and General Questions and Answers of the same number in the case of any loans, advances of credit, or purchases made pursuant to the provisions of Section 6 of Title I of the National Housing Act. The Special Questions and Answers shall have the same force and effect as the Special Regulations interpreted thereby.

Approved originally: July 20, 1936.

STEWART McDONALD,
Federal Housing Administrator.

AUGUST 6, 1936.

[F. R. Doc. 1759—Filed, August 15, 1936; 12:55 p. m.]

INTERSTATE COMMERCE COMMISSION.

[Fourth Section Application No. 16475]

RAIL-WATER RATES

AUGUST 15, 1936.

The Commission is in receipt of the above-entitled and numbered application for relief from the long-and-short-haul provision of section 4 (1) of the Interstate Commerce Act,

Filed by: J. E. Tilford, W. S. Curlett, and Frank Van Ummeren, Agents.
Commodities involved: Water-rail, rail-water-rail, and rail-water rates.
Between: Points in Trunk Line and New England territories, on the one hand, and points in Virginia and North Carolina, on the other.
Grounds for relief: Carrier competition and to maintain grouping.

Any interested party desiring the Commission to hold a hearing upon such application shall request the Commission in writing so to do within 15 days from the date of this notice; otherwise the Commission may proceed to investigate and determine the matters involved in such application without further or formal hearing.

By the Commission, division 2.

[SEAL] GEORGE B. McGINTY, *Secretary.*

[F. R. Doc. 1747—Filed, August 15, 1936; 11:06 a. m.]

[Fourth Section Application No. 16476]

GRAIN AND GRAIN PRODUCTS FROM BALTIMORE, MD., AND PHILADELPHIA, PA.

AUGUST 15, 1936.

The Commission is in receipt of the above-entitled and numbered application for relief from the long-and-short-

haul provision of section 4 (1) of the Interstate Commerce Act,

Filed by: J. E. Tilford, Agent.
Commodities involved: Grain and grain products, carloads and less-carloads.
From: Baltimore, Md., and Philadelphia, Pa.
To: Points in Southeastern and Carolina territories, over water-and-rail routes.
Grounds for relief: To maintain grouping.

Any interested party desiring the Commission to hold a hearing upon such application shall request the Commission in writing so to do within 15 days from the date of this notice; otherwise the Commission may proceed to investigate and determine the matters involved in such application without further or formal hearing.

By the Commission, division 2.

[SEAL] GEORGE B. McGINTY, *Secretary.*

[F. R. Doc. 1748—Filed, August 15, 1936; 11:06 a. m.]

RESETTLEMENT ADMINISTRATION.

[Administration Order 92 (Revision 2)[1]]

GRANTS TO INDIVIDUALS FOR RURAL REHABILITATION AND RELIEF IN STRICKEN AGRICULTURAL AREAS

AUGUST 14, 1936.

1. *Purpose:*

(a) This Order prescribes the conditions for making grants to individuals in the furtherance of rural rehabilitation and relief in stricken agricultural areas as authorized by the Emergency Relief Appropriation Act of 1935, Emergency Relief Appropriation Act of 1936, Executive Order No. 7027 of April 30, 1935, Executive Order No. 7143 of August 19, 1935, Executive Order No. 7200 of September 26, 1935, Executive Order No. 7393 of June 27, 1936, and otherwise.

2. *Conditions of Grants:*

(a) *Persons Eligible.*—

I. Farm owners, farm tenants, share-croppers, farm laborers, persons now on the official rolls of the RA, and other persons, who now live on farms or in farm areas, and who, when last employed, received the major portion of their income from farming operations, will be eligible for grants under this Order, without regard to availability of suitable and adequate soil resources and other conditions and characteristics, other than employability, ordinarily indicating potentiality for rehabilitation.

(A) *Need for public aid* of persons who qualify under paragraph 2a I hereof will be construed to be established when it has been determined through personal investigation that their material and credit resources are inadequate to maintain health and prevent human suffering.

(b) *Policy with Respect to Grants.*—

I. It is the policy of the RA to make grants to all persons eligible under paragraph 2a hereof, within the limit of funds available, until need for such public aid has ended.

II. In addition to persons eligible for *direct relief* under this Order, *supplementary grants* may be made to:

(A) Emergency RR loan cases and emergency corporation loan cases in need of such aid.

(B) Standard RR cases and standard corporation cases in an amount not to exceed total subsistence needs in instances where rehabilitation can be accomplished only by advances in excess of the borrower's ability to repay as revealed in the farm management plan.

(C) Standard RR cases and standard corporation cases to enable them to meet unforeseen and extraordinary emergencies not anticipated in the farm management plans accepted by the RA as a basis for loans, provided such grants are consistent with the purpose of this Order, and are within the limitations of the authorities set forth in paragraph 1a hereof.

III. Need for public aid in the form of a grant (direct relief) must be determined upon the basis of personal interview with the proposed recipient and the preparation of a deficiency budget which will supplement available income, or other resources contributing to the family subsistence, with a monthly amount sufficient to maintain the recipient's standard of living at a level adequate to maintain health.

3. *Purpose for Which Grants May Be Made:*

(a) Grants may be made under this Order to persons who qualify under paragraph 2a hereof to meet emergency needs for food, fuel, clothing, shelter, indispensable medical services and other essential subsistence goods or services.

4. *Policies Applicable to the Extension of Medical Aid to Clients:*

(a) It is the policy of the RA:

I. To provide emergency cases with indispensable medical services, as authorized under paragraph 3a hereof, through grants in cooperation with individual physicians or the county medical society. This policy will be carried out in such a manner as to protect the RA from abuses that will result from having extensive medical, surgical, and dental services paid for by the RA. Such extensive services would not be consistent with the purpose of the emergency grant program. In other words, it would not be reasonable to have an accumulation of long-standing physical defects or ailments corrected at public expense while receiving emergency grants. On the other hand, when clients are beset by acute illness, broken limbs, toothache, or are in need of obstetrical care, and so forth, they should not be permitted to suffer for want of indispensable medical, surgical, or dental aid. State and local health authorities will be consulted when arrangements for medical care are under consideration.

II. That, when illness and accident necessitate medical and surgical aid entailing considerable expense, local private, and public agencies should be requested to cooperate in meeting the problem. Arrangements should be made and an understanding reached with physicians, surgeons, and dentists for special rates to emergency grant cases. When a schedule of charges for medical and dental services for relief clients has been agreed upon between the medical profession and relief agencies, such charges will not be exceeded for services to grant recipients. When situations arise wherein it is impossible to enlist local cooperation, and there is an apparent disposition to force the RA to carry the whole loan and meet all costs at regular commercial rates, any arrangements contemplated will be submitted to the Administrator for approval.

5. *Administrative Authorization:*

(a) Regional directors are authorized to make grants as provided in this order on behalf of the RA.

(b) A regional director may delegate his authority under this Order to the assistant regional director in charge of RR, who may in turn delegate it to a regional RR loan officer, regional farm management supervisor, district RR supervisor, and county RR supervisor. Each such delegation of authority will be made in writing and signed copies thereof will be transmitted to the regional FC manager.

(c) In addition to the authorization specified in paragraph 5b hereof, assistant regional directors in charge of RR are further authorized, with regard to state office personnel temporarily retained, to delegate such authority to state RR directors, assistant state RR directors, state RR loan officers, and state farm management supervisors. Each such delegation of authority will be made in writing and signed copies thereof will be transmitted to the regional FC manager.

[1] Supersedes A. O. 92 (Rev. 1), 3/26/36; A. O. 92 (Rev. 1) (Supp. 1), 4/30/36; A. O. 92 (Rev. 1) (Supp. 2), 6/18/36.

6. *Reports:*

(a) Regional FC managers will submit to the Administrator such reports as may be required by him covering grants issued pursuant to this Order. Such reports will be secured when necessary from the Treasury Accounts offices in the respective regions.

7. *Effective Date:*

(a) The procedure established by this Order will be effective on and after August 15, 1936. However, all material on which action affected by this Order has commenced, prior to this effective date, will continue under the previous procedure.

R. G. TUGWELL, *Administrator.*

[F. R. Doc. 1744—Filed, August 14, 1936; 4:31 p. m.]

Wednesday, August 19, 1936 *No. 113*

PRESIDENT OF THE UNITED STATES.

EXECUTIVE ORDER

UINTA NATIONAL FOREST

Utah

By virtue of and pursuant to the authority vested in me by section 24 of the act of March 3, 1891, ch. 561, 26 Stat. 1095, 1103, as amended (U. S. C., title 16, sec. 471), and the act of June 4, 1897, ch. 2, 30 Stat. 11, 34, 36 (U. S. C., title 16, sec. 473), and upon the recommendation of the Secretary of Agriculture, it is ordered that, subject to valid existing claims, the following-described lands in the State of Utah be, and they are hereby, included in and made a part of the Uinta National Forest:

SALT LAKE MERIDIAN

T. 12 S., R. 1 E., sec. 25, NE¼, E½NW¼, SW¼NW¼, S½;
sec. 26, E½SE¼;
sec. 35, NE¼NE¼;
sec. 36, all; aggregating 1,360 acres.

The reservation made by this order supersedes as to any of the above-described lands affected thereby the temporary withdrawal for classification and other purposes made by Executive Order No. 6910 of November 26, 1934, as amended.

FRANKLIN D ROOSEVELT

THE WHITE HOUSE,
August 17, 1936.

[No. 7429]

[F. R. Doc. 1758—Filed, August 17, 1936; 4:29 p. m.]

EXECUTIVE ORDER

WITHDRAWAL OF LAND FOR LOOKOUT SITE

Oregon

By virtue of and pursuant to the authority vested in me by the act of June 25, 1910, ch. 421, 36 Stat. 847, as amended by the act of August 24, 1912, ch. 369, 37 Stat. 497, it is ordered as follows:

SECTION 1. Executive Order No. 6910 of November 26, 1934, as amended, temporarily withdrawing certain lands for classification and other purposes, is hereby revoked as to the following-described tract of public land in Oregon:

WILLAMETTE MERIDIAN

T. 37 S., R. 14 W., sec. 4, lot 15, 38.68 acres.

SECTION 2. Subject to valid existing rights, the tract of land described in section 1 of this order is hereby temporarily withdrawn from settlement, location, sale, or entry and reserved for use by the Forest Service of the Department of Agriculture as a lookout site in connection with the administration of the Siskiyou National Forest.

SECTION 3. Section 2 of this order shall continue in force and effect unless and until revoked by the President or by act of Congress.

FRANKLIN D ROOSEVELT

THE WHITE HOUSE
August 17, 1936.

[No. 7430]

[F. R. Doc. 1759—Filed, August 17, 1936; 4:29 p. m.]

DEPARTMENT OF THE INTERIOR.

Division of Grazing.

UTAH GRAZING DISTRICT NO. 2

MODIFICATION

AUGUST 7, 1936.

Under and pursuant to the provisions of the act of June 28, 1934 (48 Stat. 1269), departmental order of April 8, 1935, establishing Utah Grazing District No. 2, is hereby revoked so far as it affects the following-described lands, such revocation to be effective upon the inclusion of the lands within the Uinta National Forest:[1]

UTAH

SALT LAKE MERIDIAN

T. 12 S., R. 1 E., sec. 25, NE¼, NE¼ NW¼, S½ NW¼, S½;
sec. 26, E½ SE¼;
sec. 35, NE¼ NE¼;
sec. 36, all.

T. A. WALTERS,
Acting Secretary of the Interior.

[F. R. Doc. 1763—Filed, August 17, 1936; 12:46 p. m.]

DEPARTMENT OF AGRICULTURE.

Agricultural Adjustment Administration.

PROCLAMATION MADE BY THE SECRETARY OF AGRICULTURE CONCERNING THE BASE PERIOD TO BE USED IN CONNECTION WITH THE EXECUTION OF A MARKETING AGREEMENT AND THE ISSUANCE OF AN ORDER REGULATING THE HANDLING OF MILK IN THE DUBUQUE, IOWA, MARKETING AREA

By virtue of the authority vested in the Secretary of Agriculture by the Agricultural Adjustment Act, approved May 12, 1933, as amended, the Secretary of Agriculture does hereby find and proclaim that in connection with the execution of a marketing agreement and the issuance of an order regulating the handling of milk in the Dubuque, Iowa, Marketing Area, the purchasing power of such milk during the base period August 1909 to July 1914 cannot be satisfactorily determined from available statistics in the Department of Agriculture, but that the purchasing power of such milk can be satisfactorily determined from available statistics in the Department of Agriculture for the period August 1923 to July 1929; and the period August 1923 to July 1929 is hereby found and proclaimed to be the base period to be used in connection with ascertaining the purchasing power of milk handled in the Dubuque, Iowa, Marketing Area, for the purpose of the execution of a marketing agreement and the issuance of an order regulating the handling of said milk in that area.

In testimony whereof, the Secretary of Agriculture has hereunto set his hand and caused the official seal of the Department of Agriculture to be affixed in the city of Washington, District of Columbia, this 17th day of August 1936.

[SEAL] H. A. WALLACE,
Secretary of Agriculture.

[F. R. Doc. 1775—Filed, August 18, 1936; 11:56 a. m.]

[1] See Executive Order No. 7423 (F. R. Doc. 1758).